

**CERTIFICATE**


**BLC Glenwood-Gardens AL-LH, LLC DBA Brookdale Riverwalk**

State of Wisconsin )  
County of Milwaukee ) SS:

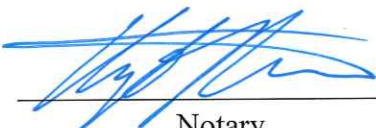
The enclosed Annual Report for BLC Glenwood-Gardens AL-LH, LLC DBA Brookdale Riverwalk and any amendments thereto are correct to the best of my knowledge and belief.

The continuing care contract form in use or offered to new residents at Brookdale Riverwalk has been approved by the Department.

As of the date of this certification, BLC Glenwood-Gardens AL-LH, LLC is maintaining the required liquid reserve.

  
Joanne Leskowicz  
Senior Vice President

Sworn and subscribed to before me,  
a Notary Public, this 30 day  
of April, 2018

  
Notary

My commission expires: 2/27/22



**FORM 1-1**  
**RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	217
[2]	Number at end of fiscal year	229
[3]	Total Lines 1 and 2	446
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x.50
[5]	Mean number of continuing care residents	223

**All Residents**

[6]	Number at beginning of fiscal year	240
[7]	Number at end of fiscal year	248
[8]	Total Lines 6 and 7	488
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x.50
[10]	Mean number of all residents	244
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of all residents (Line 10) and enter the result (round to two decimal places).	91.39%

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

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service- interest only)	\$ 11,441,000
[a]	Depreciation	\$ 259,000
[b]	Debt Service (Interest Only)	\$ 3,369,000
[2]	Subtotal (add Line 1a and 1b)	\$ 3,628,000
[3]	Subtract Line 2 from Line 1 and enter result.	\$ 7,813,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	91.39%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$ 7,141,000
[6]	Total Amount Due (multiply Line 5 by .001)	x .001
		\$ 7,141

**PROVIDER:** BLC Glenwood Gardens AL-LH, LLC dba Brookdale Riverwalk  
**COMMUNITY:** Brookdale Riverwalk

Vendor Number: 0000103714  
Name DEPARTMENT OF SOCIAL SERVICES

Check Date: 04/23/2018  
Check No. 03934781

Invoice Number	Invoice Date	Payment Message	Voucher ID	Bus. Unit	Pay on Behalf of:
		<u>Gross Amount</u>	<u>Discount Taken</u>	<u>Paid Amount</u>	
0420187141.00	04/20/2018	CCRC RENEWAL FEE		00240419	17910 BKD Riverwalk IL_AL_MC (CA
		7,141.00	0.00	7,141.00	
TO ENSURE PAYMENTS, REMIT TO ADDRESS AND THE COMMUNITY NAME AND ADDRESS ARE REQUIRED ON YOUR INVOICES .					
Gross Amount Total		\$7,141.00	Discount Taken Total	\$0.00	Paid Amount Total \$7,141.00

Tear Here

THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK - HOLD AT AN ANGLE TO VIEW

Brookdale Senior Living Inc.  
C/O 6737 West Washington Street,  
Suite# 2300, Milwaukee, WI 53214  
1-866-434-8312

Check Date: 04/23/2018  
Vendor Number: 0000103714

Check No. 03934781  
BANK OF AMERICA, N.A.  
101 South Tryon Street  
Charlotte, NC 28255  
70-2328/719 IL

Pay \*\*\*\*SEVEN THOUSAND ONE HUNDRED AND FORTY-ONE AND XX / 100 DOLLAR\*\*\*\*\*

Pay Amount  
\$7,141.00\*\*\*

Pay To The  
Order Of

DEPARTMENT OF SOCIAL SERVICES  
744 P ST  
MS 3-67  
SACRAMENTO, CA 95814



Void After 90 Days

03934781

071923284

5590091228





# CERTIFICATE OF LIABILITY INSURANCE

Page 1 of 2

DATE (MM/DD/YYYY)  
12/28/2017

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).

<b>PRODUCER</b> Willis of Illinois, Inc. c/o 26 Century Blvd P.O. Box 305191 Nashville, TN 372305191 USA	<b>CONTACT</b> NAME: Willis Towers Watson Certificate Center PHONE (A/C, No, Ext): 1-877-945-7378 FAX (A/C, No): 1-888-467-2378 E-MAIL ADDRESS: certificates@willis.com														
<b>INSURED</b> Brookdale Senior Living, Inc. 111 Westwood Place Suite 400 Brentwood, TN 37027	<table border="1"><thead><tr><th>INSURER(S) AFFORDING COVERAGE</th><th>NAIC #</th></tr></thead><tbody><tr><td>INSURER A: Underwriters at Lloyd's London</td><td>15792</td></tr><tr><td>INSURER B: Continental Casualty Company</td><td>20443</td></tr><tr><td>INSURER C: American Casualty Company of Reading, PA</td><td>20427</td></tr><tr><td>INSURER D: National Union Fire Insurance Company of P</td><td>19445</td></tr><tr><td>INSURER E:</td><td></td></tr><tr><td>INSURER F:</td><td></td></tr></tbody></table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A: Underwriters at Lloyd's London	15792	INSURER B: Continental Casualty Company	20443	INSURER C: American Casualty Company of Reading, PA	20427	INSURER D: National Union Fire Insurance Company of P	19445	INSURER E:		INSURER F:	
INSURER(S) AFFORDING COVERAGE	NAIC #														
INSURER A: Underwriters at Lloyd's London	15792														
INSURER B: Continental Casualty Company	20443														
INSURER C: American Casualty Company of Reading, PA	20427														
INSURER D: National Union Fire Insurance Company of P	19445														
INSURER E:															
INSURER F:															

**COVERAGES**

CERTIFICATE NUMBER: W4887886

REVISION NUMBER:

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

INSR LTR	TYPE OF INSURANCE	ADDL INSP	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 Liability GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC OTHER:			SB-LTCA-01637-17	12/31/2017	12/31/2018	<table border="1"><tr><td>EACH OCCURRENCE</td><td>\$ 2,500,000</td></tr><tr><td>DAMAGE TO RENTED PREMISES (Ea occurrence)</td><td>\$ 100,000</td></tr><tr><td>MED EXP (Any one person)</td><td>\$</td></tr><tr><td>PERSONAL &amp; ADV INJURY</td><td>\$ 2,500,000</td></tr><tr><td>GENERAL AGGREGATE</td><td>\$ 10,000,000</td></tr><tr><td>PRODUCTS - COMP/OP AGG</td><td>\$ 2,500,000</td></tr><tr><td>SIR</td><td>\$ Per Written Contract</td></tr></table>	EACH OCCURRENCE	\$ 2,500,000	DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 100,000	MED EXP (Any one person)	\$	PERSONAL & ADV INJURY	\$ 2,500,000	GENERAL AGGREGATE	\$ 10,000,000	PRODUCTS - COMP/OP AGG	\$ 2,500,000	SIR	\$ Per Written Contract
EACH OCCURRENCE	\$ 2,500,000																				
DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 100,000																				
MED EXP (Any one person)	\$																				
PERSONAL & ADV INJURY	\$ 2,500,000																				
GENERAL AGGREGATE	\$ 10,000,000																				
PRODUCTS - COMP/OP AGG	\$ 2,500,000																				
SIR	\$ Per Written Contract																				
B	<input checked="" type="checkbox"/> AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY			5082521525	01/01/2018	01/01/2019	<table border="1"><tr><td>COMBINED SINGLE LIMIT (Ea accident)</td><td>\$ 1,000,000</td></tr><tr><td>BODILY INJURY (Per person)</td><td>\$</td></tr><tr><td>BODILY INJURY (Per accident)</td><td>\$</td></tr><tr><td>PROPERTY DAMAGE (Per accident)</td><td>\$</td></tr><tr><td></td><td>\$</td></tr></table>	COMBINED SINGLE LIMIT (Ea accident)	\$ 1,000,000	BODILY INJURY (Per person)	\$	BODILY INJURY (Per accident)	\$	PROPERTY DAMAGE (Per accident)	\$		\$				
COMBINED SINGLE LIMIT (Ea accident)	\$ 1,000,000																				
BODILY INJURY (Per person)	\$																				
BODILY INJURY (Per accident)	\$																				
PROPERTY DAMAGE (Per accident)	\$																				
	\$																				
	<input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> EXCESS LIAB DED <input type="checkbox"/> RETENTION \$						<table border="1"><tr><td>EACH OCCURRENCE</td><td>\$</td></tr><tr><td>AGGREGATE</td><td>\$</td></tr><tr><td></td><td>\$</td></tr></table>	EACH OCCURRENCE	\$	AGGREGATE	\$		\$								
EACH OCCURRENCE	\$																				
AGGREGATE	\$																				
	\$																				
C	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 <input checked="" type="checkbox"/> No	N/A	5082521444	01/01/2018	01/01/2019	<table border="1"><tr><td><input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER</td><td></td></tr><tr><td>E.L. EACH ACCIDENT</td><td>\$ 1,000,000</td></tr><tr><td>E.L. DISEASE - EA EMPLOYEE</td><td>\$ 1,000,000</td></tr><tr><td>E.L. DISEASE - POLICY LIMIT</td><td>\$ 1,000,000</td></tr></table>	<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						
<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																				
A	Ex. Auto Liab. & Employer Liab.			SB-LTCA-01637-17	12/31/2017	12/31/2018	<table border="1"><tr><td>Each Claim</td><td>\$2,000,000</td></tr><tr><td>Aggregate</td><td>\$10,000,000</td></tr></table>	Each Claim	\$2,000,000	Aggregate	\$10,000,000										
Each Claim	\$2,000,000																				
Aggregate	\$10,000,000																				

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

SEE ATTACHED

**CERTIFICATE HOLDER**Brookdale Riverwalk IL\_AL\_MC CA  
350 Calloway Drive  
Bakersfield, CA 93312**CANCELLATION**

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

AUTHORIZED REPRESENTATIVE

*Andrea Paris*

© 1988-2015 ACORD CORPORATION. All rights reserved.

AGENCY CUSTOMER ID: \_\_\_\_\_

LOC #: \_\_\_\_\_



## ADDITIONAL REMARKS SCHEDULE

Page 2 of 2

AGENCY Willis of Illinois, Inc.		NAMED INSURED Brookdale Senior Living, Inc. 111 Westwood Place Suite 400 Brentwood, TN 37027	
POLICY NUMBER See Page 1		NAIC CODE See Page 1	
CARRIER See Page 1		EFFECTIVE DATE: See Page 1	

### ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,

FORM NUMBER: 25 FORM TITLE: Certificate of Liability Insurance

Insured: Brookdale Riverwalk IL\_AL\_MC CA, 350 Calloway Drive, Bakersfield, CA 93312

Other Named Insured: Brookdale Senior Living, Inc.

INSURER AFFORDING COVERAGE: National Union Fire Insurance Company of Pittsburgh

NAIC#: 19445

POLICY NUMBER: 04-173-14-60 EFF DATE: 12/31/2017 EXP DATE: 12/31/2018

TYPE OF INSURANCE:

LIMIT DESCRIPTION:

LIMIT AMOUNT:

Crime

Limit

\$5,000,000

Deductible

\$50,000

#### ADDITIONAL REMARKS:

Crime Coverage Includes: Inside/Outside Premises; Money Orders and Counterfeit Paper Currency; Depositors Forgery Coverage and Computer Coverage; Loss of Client Assets.

INSURER AFFORDING COVERAGE: National Union Fire Insurance Company of Pittsburgh

NAIC#: 19445

POLICY NUMBER: 04-146-62-82 EFF DATE: 12/31/2017 EXP DATE: 12/31/2018

TYPE OF INSURANCE:

LIMIT DESCRIPTION:

LIMIT AMOUNT:

Employment Practices Liability

Aggregate

\$10,000,000

Limit Incl

Defense Costs

Retention

\$250,000

**BLC GLENWOOD-GARDENS AL-LH, LLC**  
**d/b/a BROOKDALE RIVERWALK**

Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)



**BLC Glenwood-Gardens AL-LH, LLC**  
**d/b/a Brookdale Riverwalk**

**Index to Financial Statements**

	<b>Page</b>
Independent Auditors' Report	1
Financial Statements:	
Balance Sheets as of December 31, 2017 and 2016	2
Statements of Operations for the years ended December 31, 2017 and 2016	3
Statements of Changes in Member's Equity for the years ended December 31, 2017 and 2016	4
Statements of Cash Flows for the years ended December 31, 2017 and 2016	5
Notes to Financial Statements	6



## Independent Auditors' Report

The Member  
BLC Glenwood Gardens AL-LH, LLC:

We have audited the accompanying financial statements of BLC Glenwood Gardens AL-LH, LLC d/b/a Brookdale Riverwalk (the "Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, changes in member's equity and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BLC Glenwood Gardens AL-LH, LLC as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**LBMC, PC**

Brentwood, Tennessee  
March 26, 2018



**BLC GLENWOOD-GARDENS AL-LH, LLC**  
**d/b/a BROOKDALE RIVERWALK**  
**Balance Sheets**  
**December 31, 2017 and 2016**  
*(In thousands)*

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 1	\$ 1
Accounts receivable, net	92	72
Other current assets	<u>211</u>	<u>157</u>
Total current assets	304	230
Property and equipment, net	1,981	1,665
Restricted cash	—	5,173
Deferred tax asset	<u>411</u>	<u>763</u>
Total assets	<u>\$ 2,696</u>	<u>\$ 7,831</u>
<b>Liabilities and Member's Equity</b>		
Current liabilities:		
Accounts payable	\$ 535	\$ 87
Accrued expenses	393	383
Deferred revenue	102	126
Tenant security deposits	<u>9</u>	<u>7</u>
Total current liabilities	1,039	603
Member's equity	<u>1,657</u>	<u>7,228</u>
Total liabilities and member's equity	<u>\$ 2,696</u>	<u>\$ 7,831</u>

See accompanying notes to financial statements.

**BLC GLENWOOD-GARDENS AL-LH, LLC**  
**d/b/a BROOKDALE RIVERWALK**  
**Statements of Operations**  
**For the years ended December 31, 2017 and 2016**  
*(In thousands)*

	<u>2017</u>	<u>2016</u>
Revenue:		
Resident services	\$ 11,054	\$ 10,854
Ancillary services	384	325
Interest income	<u>3</u>	<u>8</u>
Total revenue	<u>11,441</u>	<u>11,187</u>
Expenses:		
Community operating expense	5,710	5,540
General and administrative	1,294	1,108
Facility lease expense	3,369	3,112
Depreciation	259	868
Capitalized interest	—	—
Management fee expense	572	559
Income tax expense	<u>237</u>	<u>—</u>
Total expenses	<u>11,441</u>	<u>11,187</u>
Net income	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to financial statements.

**BLC GLENWOOD-GARDENS AL-LH, LLC**  
**d/b/a BROOKDALE RIVERWALK**  
**Statements of Changes in Member's Equity**  
**For the years ended December 31, 2017 and 2016**  
*(In thousands)*

	<u>Member's Equity</u>
Balance at December 31, 2015	\$ 7,071
Member contributions	<u>157</u>
Balance at December 31, 2016	7,228
Member distributions	<u>(5,571)</u>
Balance at December 31, 2017	\$ <u><u>1,657</u></u>

See accompanying notes to financial statements.

**BLC GLENWOOD-GARDENS AL-LH, LLC**  
**d/b/a BROOKDALE RIVERWALK**  
**Statements of Cash Flows**  
**For the years ended December 31, 2017 and 2016**  
*(In thousands)*

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from residents	\$ 11,396	\$ 11,239
Interest income	3	8
Cash paid to suppliers and employees	(6,939)	(7,401)
Cash paid for facility lease	(3,369)	(3,112)
Cash paid for current income taxes	(117)	(304)
Net cash provided by operating activities	<u>974</u>	<u>430</u>
Cash flows from investing activities:		
Purchases of property and equipment	(575)	(579)
Decrease (increase) in restricted cash	5,172	(8)
Net cash provided by (used in) investing activities	<u>4,597</u>	<u>(587)</u>
Cash flows from financing activities: Member contributions (distributions)	<u>(5,571)</u>	<u>157</u>
Net change in cash	—	—
Cash at beginning of year	<u>1</u>	<u>1</u>
Cash at end of year	\$ <u><u>1</u></u>	\$ <u><u>1</u></u>
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ —	\$ —
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	259	868
Deferred income tax expense (benefit)	352	(117)
Provision for doubtful accounts	127	71
Increase in:		
Accounts receivable	(147)	(49)
Other current assets	(53)	(87)
Increase (decrease) in:		
Accounts payable and accrued expenses	458	(294)
Deferred revenue	(24)	39
Tenant security deposits	2	(1)
Net cash provided by operating activities	\$ <u><u>974</u></u>	\$ <u><u>430</u></u>

See accompanying notes to financial statements.



**BLC Glenwood-Gardens AL-LH, LLC**  
**d/b/a Brookdale Riverwalk**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**  
*(amounts in thousands except as where otherwise stated)*

**1. Organization**

BLC Glenwood-Gardens AL-LH, LLC d/b/a Brookdale Riverwalk (the "Company"), a wholly-owned subsidiary of Brookdale Senior Living Inc. ("Brookdale") is an operator of a senior living community (the "Community") in Bakersfield, California. The Company is committed to providing senior living solutions through a property that is designed, purpose-built and operated to provide the highest quality service, care and living accommodations for residents. The Community offers a variety of living arrangements and services to accommodate many levels of physical ability and health. The Community has 19 retirement center units, 227 assisted living units, and 27 memory care units on one campus.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The significant accounting policies have been summarized below.

The State of California (the "State"), under Health and Safety Code Chapter 10, requires the Company to provide financial statements, which include cash flows presented using the direct method. In accordance with this requirement, the Company has presented cash flows and related reconciliations of net income to cash flows provided by operating activities using the direct method for the years ended December 31, 2017 and 2016.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosures of contingent assets and liabilities in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates.

**Revenue Recognition**

Resident fee revenue is recorded when services are rendered and consists of fees for basic housing, support services and fees associated with additional services such as personalized health. Residency agreements are generally for a term of 30 days to one year, with resident fees billed monthly in advance. Revenue for certain ancillary charges is recognized as services are provided, and such fees are billed monthly in arrears.

**BLC Glenwood-Gardens AL-LH, LLC**  
**d/b/a Brookdale Riverwalk**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**  
*(amounts in thousands except as where otherwise stated)*

**Accounts Receivable**

Accounts receivable are reported net of an allowance for doubtful accounts to represent the Company's estimate of the amount that will ultimately be realized in cash. As of December 31, 2017 and 2016, the allowance for doubtful accounts was \$45 and \$75, respectively. The adequacy of the Company's allowance for doubtful accounts is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, as well as a review of specific accounts, and adjustments are made to the allowance as necessary. Late or interest charges on delinquent accounts are not recorded until collected.

**Property and Equipment**

Property and equipment are recorded at cost. Renovations and improvements, which improve and/or extend the useful life of the asset, are capitalized and depreciated over their estimated useful life or the remaining lease term. Leasehold improvements are depreciated over the shorter of the estimated useful life of the assets or the remaining lease term. Furniture and equipment are depreciated between three to seven years. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or the remaining lease term. Maintenance and repair expenditures that do not improve or extend the life of assets are expensed as incurred.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets held for use are assessed by a comparison of the carrying amount of the asset to the estimated future undiscounted net cash flows expected to be generated by the asset. If estimated future undiscounted net cash flows are less than the carrying amount of the asset then the fair value of the asset is estimated. The impairment expense is determined by comparing the estimated fair value of the asset to its carrying value, with any amount in excess of fair value recognized as an expense in the current period. Undiscounted cash flow projections and estimates of fair value amounts are based on a number of assumptions such as revenue and expense growth rates, estimated holding periods and estimated capitalization rates.

**Restricted Cash**

Restricted cash consisted of reserve funds required by regulatory agencies for licensed continuing care retirement communities. The amount of reserve funds held is subject to minimum funding requirements issued by the regulatory agency (See Note 5 for more information about minimum funding requirements).

**Income Taxes**

In 2011, the Company elected to be taxed as a corporation and file a consolidated federal income tax return with Brookdale. Prior to 2011, this entity was a single member LLC and income taxes were not provided in the financial statements. For the financial statement presentation, the separate-return method is used to allocate current and deferred tax expense (benefit) to the Company as if it were a separate taxpayer. Income taxes are accounted for under the asset and liability method.

**BLC Glenwood-Gardens AL-LH, LLC**  
**d/b/a Brookdale Riverwalk**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**  
*(amounts in thousands except as where otherwise stated)*

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are recorded using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company accounts for its uncertainty in income taxes under Accounting Standards Codification ("ASC") 740. Under ASC 740 a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur.

As of December 31, 2017 and 2016, the Company has accrued no interest and no penalties related to uncertain tax positions. It is the entity's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Company will file a consolidated U.S. Federal and State of California income tax return with Brookdale for the 2017 tax year. There are currently no Federal or California income tax returns subject to examination. The tax returns for years 2012 through 2016 are subject to future examination by tax authorities.

Total income tax expense (benefit) for the years ended December 31, 2017 and 2016 was comprised of:

	<u>2017</u>	<u>2016</u>
U.S. Federal:		
Current	\$ (78)	\$ 92
Deferred	<u>352</u>	<u>(117)</u>
Total U.S. Federal	<u>273</u>	<u>(25)</u>
State:		
Current	(36)	25
Deferred	<u>-</u>	<u>-</u>
Total State	<u>(36)</u>	<u>25</u>
Total income tax expense	\$ <u><u>237</u></u>	\$ <u><u>-</u></u>



**BLC Glenwood-Gardens AL-LH, LLC**  
**d/b/a Brookdale Riverwalk**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**  
*(amounts in thousands except as where otherwise stated)*

The tax effect of temporary differences that give rise to the net deferred tax asset at December 31, 2017 and 2016 consisted of:

	<u>2017</u>	<u>2016</u>
Deferred tax asset – property and equipment and accrued expenses	\$ 411	\$ 763

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets related to deductible temporary differences is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. As of December 31, 2017 and 2016 the Company did not carry a valuation allowance against deferred tax assets.

The Tax Cuts and Jobs Act was signed into law on December 22, 2017 and contains a provision that reduces the corporate tax rate from 35% to 21%, effective January 1, 2018. The Company's statement of operations for the tax year ended December 31, 2017 reflects a benefit of \$181 related to the impact of the Tax Act.

**Subsequent Events**

The Company has evaluated events subsequent to December 31, 2017 through the date that the financial statements were available to be issued, March 26, 2018, and determined that no events have occurred which would require additional disclosure.

**3. Property and Equipment**

Net property and equipment as of December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 2,525	\$ 2,455
Furniture and equipment	3,557	3,462
Construction in progress	434	23
	<u>6,516</u>	<u>5,940</u>
Accumulated depreciation	<u>(4,534)</u>	<u>(4,276)</u>
Property and equipment, net	<u>\$ 1,981</u>	<u>\$ 1,665</u>

During the years ended December 31, 2017 and 2016, the Company evaluated property and equipment for impairment. There was no impairment charge recorded in 2017 or 2016.



**BLC Glenwood-Gardens AL-LH, LLC**  
**d/b/a Brookdale Riverwalk**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**  
*(amounts in thousands except as where otherwise stated)*

**4. Related Party Transactions**

**Community Lease**

On April 28, 2006, the Company entered into a lease agreement (the "Lease") for use of the Community from BLC Glenwood Gardens AL, L.P. (the "Lessor"), a wholly-owned subsidiary of Brookdale. The term of the Lease was 10 years. In 2016, an amendment to the Lease was issued, extending the term of the Lease to December 31, 2030. The Lease requires the Company to pay rent to the Lessor in an amount equal to annual net income of the operations of the Community.

**Management Agreement**

On August 26, 2010, the Company entered into a management agreement with Brookdale Living Communities, Inc. (the "Manager"), a wholly owned subsidiary of Brookdale. Under the terms of the agreement, the Manager receives a management fee of 5.0% of gross revenues (as defined by the terms of the agreement). Out-of-pocket expenses (as defined under the agreement) incurred on behalf of the Company by the Manager are subject to reimbursement to the Manager. The management agreement expires on August 26, 2020. The amount incurred for management fees was \$572 and \$559 for the years ended December 31, 2017 and 2016, respectively.

**5. Commitments and Contingencies**

**Minimum Liquid Reserve**

The State of California (the "State"), under Health and Safety Code Chapter 10, requires a minimum liquid reserve ("MLR") balance be maintained based upon certain financial calculations. In May 2017, the Company received a Certificate of Authority issued by the State for BLC Glenwood-Gardens AL-LH, LLC and Brookdale Senior Living Inc. ("Providers") d/b/a Brookdale Riverwalk. In accordance with the Code, the Company has computed its liquid reserve requirement as of December 31, 2017 and the reserve is based on Brookdale Senior Living Inc.'s consolidated audited financial statements. As of December 31, 2017 and 2016, the MLR funded by cash was approximately \$4.6 million and \$5.2 million, respectively. The MLR as of December 31, 2017 included \$3.4 million for Debt Service Reserve and \$1.2 million for Operating Reserve, to cover operating expenses, and were included in the financial statements of Brookdale.

**Litigation**

The Company is subject to legal proceedings and claims that arise in the ordinary course of business. However, management believes the amount of potential liability with respect to these actions will not materially affect the financial position or results of operations of the Company.

**BLC Glenwood-Gardens AL-LH, LLC**  
**d/b/a Brookdale Riverwalk**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**  
*(amounts in thousands except as where otherwise stated)*

**Insurance**

Through Brookdale, the Company currently maintains professional and general liability insurance. Brookdale's current policies provide for deductibles for each and every claim and as a result they are, in effect, self-insured for claims that are less than the deductible amounts. In addition, the Company participates in Brookdale's large-deductible workers compensation program and a self-insured employee medical program. Estimated costs related to the self-insurance program are accrued at Brookdale based on known claims and projected settlement of unasserted claims incurred but not reported to the Company. The Company records an allocated monthly fee for insurance costs. Subsequent changes in actual experience (including claim costs, claim frequency, and other factors) could result in additional costs to the Company.

**Health Care Regulations**

The health care industry is subject to numerous laws and regulations of Federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid, or other state program, fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

As a result of the Company's participation in the Medicare and Medicaid programs, the Company is subject to various government reviews, audits and investigations to verify the Company's compliance with these programs and applicable laws and regulations. CMS has engaged a number of third party firms, including Recovery Audit Contractors ("RAC"), Zone Program Integrity Contractors ("ZPIC"), and Unified Program Integrity Contractors ("UPIC") to conduct extensive reviews of claims data to evaluate the appropriateness of billings submitted for payment. Audit contractors may identify overpayments based on coverage requirements, billing and coding rules or other risk areas. In addition to identifying overpayments, audit contractors can refer suspected violations of law to government enforcement authorities. An adverse determination of government reviews, audits and investigations may result in citations, sanctions and other criminal or civil fines and penalties, the refund of overpayments, payment suspensions, or termination of participation in Medicare and Medicaid programs. The Company's costs to respond to and defend any such audits, reviews and investigations may be significant and are likely to increase in the current enforcement environment, and any resulting sanctions or criminal, civil or regulatory penalties could have a material adverse effect on the Company's business, financial condition, results of operations and cash flow. While management believes all billings are proper and support is maintained, certain aspects of billing, coding and support are subject to interpretation and may be



**BLC Glenwood-Gardens AL-LH, LLC**  
**d/b/a Brookdale Riverwalk**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**  
***(amounts in thousands except as where otherwise stated)***

viewed differently by audit contractors. As amount of any recovery is unknown, management has not recorded any reserves related to audits and investigations at this time.

**Healthcare Reform**

The health care industry in the United States is subject to fundamental changes due to ongoing health care reform efforts and related political, economic and regulatory influences. Notably, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act") resulted in expanded health care coverage to millions of previously uninsured people beginning in 2014 and has resulted in significant changes to the United States health care system. To help fund this expansion, the Affordable Care Act outlines certain reductions for Medicare reimbursed services, including skilled nursing, home health, hospice and outpatient therapy services, as well as certain other changes to Medicare payment methodologies. This comprehensive health care legislation has resulted and will continue to result in extensive rulemaking by regulatory authorities, and also may be altered, amended, repealed, or replaced. It is difficult to predict the full impact of the Affordable Care Act due to the complexity of the law and implementing regulations, as well the Company's inability to foresee how CMS and other participants in the health care industry will respond to the choices available to them under the law. The Company also cannot accurately predict whether any new or pending legislative proposals will be adopted or, if adopted, what effect, if any, these proposals would have on the Company's business. Similarly, while the Company can anticipate that some of the rulemaking that will be promulgated by regulatory authorities will affect the Company's business and the manner in which the Company is reimbursed by the federal reimbursements programs, the Company cannot accurately predict today the impact of those regulations on the Company's business. The provisions of the legislation and other regulations implementing the provisions of the Affordable Care Act or any amended or replacement legislation may increase costs, decrease revenues, expose the Company to expanded liability or require the Company to revise the ways in which it conducts business.

In addition to its impact on the delivery and payment for health care, the Affordable Care Act and the implementing regulations have resulted and may continue to result in increases to the Company's costs to provide health care benefits to its employees. The Company also may be required to make additional employee-related changes to its business as a result of provisions in the Affordable Care Act or any amended or replacement legislation impacting the provision of health insurance by employers, which could result in additional expense and adversely affect the Company's results of operations and cash flows.

LBMC

MAKE A GOOD  
BUSINESS BETTER

**BLC Glenwood-Gardens AL-LH, LLC**

**S-H OpCo Camarillo, LLC**

**S-H OpCo Carlsbad, LLC**

**S-H OpCo Carmel Valley, LLC**

**S-H OpCo Rancho Mirage, LLC**

**S-H OpCo San Juan Capistrano, LLC**

**Emeritus Corporation d/b/a Brookdale**

**Northridge, Brookdale Fountaingrove,**

**Brookdale Yorba Linda and Brookdale**

**San Dimas**

**2017 Client Service Communication**



The logo for LBMCMC, featuring the letters "LBMCMC" in a white, sans-serif font against a dark green background.

MAKE A GOOD  
BUSINESS BETTER

The Members and Board of Directors

BLC Glenwood-Gardens AL-LH, LLC; S-H OpCo Camarillo, LLC; S-H OpCo Carlsbad, LLC; S-H OpCo Carmel Valley, LLC; S-H OpCo Rancho Mirage, LLC; S-H OpCo San Juan Capistrano, LLC; and Emeritus Corporation d/b/a Brookdale Northridge, Brookdale Fountaingrove, Brookdale Yorba Linda and Brookdale San Dimas (collectively the "Companies")

Dear Members and Board of Directors:

We have audited the continuing care reports Forms 5-1 through 5-5 ("the Reports"), prepared pursuant to the requirements of the report preparation provisions of California Health and Safety Code Section 1792, of the Companies for the year ended December 31, 2017, and have issued our report thereon dated April 25, 2018. Professional standards require that we provide you certain information related to the planned scope and timing of our audits. We have communicated such information in our engagement letter dated September 12, 2017. Professional standards also require that we communicate to you certain other matters related to our audits.

This information is intended solely for the use of the Members and Board of Directors, management and others within the aforementioned companies and is not intended to be, and should not be used by anyone other than these specified parties.

We appreciate the confidence you place in LBMCMC as your business advisor. We strive to help you stay compliant, manage risk, and improve performance in every way as you grow your business.

*LBMCMC, PC*

Brentwood, Tennessee  
April 25, 2018

# Table of Contents

Qualitative assessments.....	4
Interaction with management, independence, and other matters.....	5
Internal control related matters.....	6
Client service is a priority.....	7

# Qualitative Assessments

Area	Detail
<b>Qualitative Aspects of Accounting Practices – Accounting Policies</b>	<p>Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We are not aware of any transactions entered into by the Companies during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the Reports in the proper period.</p>
<b>Qualitative Aspects of Accounting Practices - Estimates</b>	<p>Accounting estimates are an integral part of the Reports prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive due to: (i) their significance to the Reports; and (ii) possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Reports relate to:</p> <ul style="list-style-type: none"> <li>• <i>Calculation of revenue applicable to residents without a continuing care contract</i></li> <li>• <i>Depreciable lives of property and equipment</i></li> <li>• <i>Amortization period of resident leasehold intangibles</i></li> </ul> <p>We have reviewed and evaluated all areas where management's estimates significantly impact the Reports and have concluded that they are reasonable in the context of the Reports taken as a whole.</p>



## Interaction with Management, Independence, and Other Matters

Area	Detail
<b>Difficulties Encountered in Performing the Audit</b>	<p>For purposes of this report, “difficulties” may include matters such as:</p> <ul style="list-style-type: none"> <li>• the unavailability of, or significant delays in management’s providing information,</li> <li>• an unreasonable time frame within which to complete the audit,</li> <li>• extensive unexpected effort required to obtain audit evidence, or</li> <li>• restrictions imposed on the auditor by management.</li> </ul> <p>We encountered no significant difficulties in performing and completing our audits.</p>
<b>Disagreements with Management</b>	<p>For purposes of this report, professional standards define “disagreements with management” as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the reports or the auditors’ reports. We are pleased to report that no such disagreements arose during the course of our audits.</p>
<b>Management Consultations with Other Independent Accountants</b>	<p>In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If consultation involves application of an accounting principle to the Companies’ Reports or a determination of the type of auditors’ opinion that may be expressed on those Reports, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.</p>
<b>Management Representations</b>	<p>We have requested certain representations from management that are included in the management representation letter dated April 25, 2018.</p>
<b>Independence</b>	<p>We are not aware of any relationships between our firm and the Companies that, in our professional judgment, may reasonably be thought to bear on our independence that have occurred during the period from January 1, 2017 through the date of this report.</p>
<b>Corrected and Uncorrected Misstatements</b>	<p>Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were detected as a result of our audit procedures.</p>



## Internal Control Related Matters

In planning and performing our audit of the Reports, we considered the Companies' internal control over accounting and financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Reports, but not for the purpose of expressing an opinion on the effectiveness of the Companies' internal control. Accordingly, we do not express an opinion on the effectiveness of the Companies' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Companies' Reports will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Client Service is a Priority

For additional information or if you have questions please contact the Audit Service Team Leaders.

Andrew S. Bissonnette  
615-309-2209 Direct  
abissonnette@lbmc.com

Laura L. McGregor  
615-309-2289 Direct  
lmcmgregor@lbmc.com

**CONTINUING CARE  
RESERVE REPORT  
PART 5**

**INDEPENDENT AUDITORS' REPORT**

The Member  
BLC Glenwood-Gardens AL-LH, LLC:

We have audited the accompanying continuing care reserve report Forms 5-1 through 5-5 (the "Reports") of BLC Glenwood-Gardens AL-LH, LLC d/b/a Brookdale Riverwalk (the "Company"), as of December 31, 2017. The Reports have been prepared by management using the report preparation provisions of California Health and Safety Code Section 1792.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Reports. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Reports, 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 Reports in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of 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 Reports.

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 Reports present fairly, in all material respects, the liquid reserve requirements of the Company as of December 31, 2017, in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

**Basis of Accounting**

The accompanying Reports were prepared in accordance with the report preparation provisions of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The Reports are not intended to be a complete presentation of the Company's assets, liabilities, revenues and expenses. Our opinion is not modified with respect to this matter.

**Restriction on Use**

Our report is intended solely for the information and use of the Company and for filing with the California Department of Social Services and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*L B M C, P C*

Brentwood, Tennessee  
April 25, 2018



**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					
2					
3					
4					
5					
6					
7					
8					
<b>TOTAL:</b>			\$0.00	\$0.00	\$0.00

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

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

**PROVIDER:** BLC Glenwood Gardens AL-LH, LLC dba Brookdale Riverwalk

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1					
2					
3					
4					
5					
6					
7					
8					
<b>TOTAL:</b>		\$0.00	\$0.00	\$0.00	\$0.00

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

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

**PROVIDER:** BLC Glenwood Gardens AL-LH, LLC dba Brookdale Riverwalk

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

<b>Line</b>		<b>TOTAL</b>
1	Total from Form 5-1 bottom of Column (e)	\$ -
2	Total from Form 5-2 bottom of Column (e)	\$ -
3	Facility leasehold or rental payment paid by provider during fiscal year. (including related payments such as lease insurance)	\$ 3,369,000
4	<b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<u><u>\$ 3,369,000</u></u>

**PROVIDER:** BLC Glenwood Gardens AL-LH, LLC dba Brookdale Riverwalk

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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$ 11,441,000
2	Deductions		
a	Interest paid on long-term debt (see instructions)	\$ 3,369,000	
b	Credit enhancement premiums paid for long-term debt (see instructions)	\$ -	
c	Depreciation	\$ 259,000	
d	Amortization	\$ -	
e	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$ 983,000	
f	Extraordinary expenses approved by the Department	\$ -	
3	Total Deductions		\$ 4,611,000
4	Net Operating Expenses		\$ 6,830,000
5	Divide Line 4 by 365 and enter the result.		\$ 18,712
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.		\$ 1,403,000

**PROVIDER:** BLC Glenwood Gardens AL-LH, LLC dba Brookdale Riverwalk

**COMMUNITY:** Brookdale Riverwalk



**FORM 5-4 CALCULATION OF NET OPERATING EXPENSES RECONCILIATION OF LINE 2E**

	<u>Brookdale Riverwalk</u>
	91.39%
Revenues received during the fiscal year for services to persons who did not have a continuing care contract (Line 2E)	\$ 983,000
Revenues received from continuing care residents	<u>10,435,000</u>
Cash received for "Resident Revenue"*	<u><u>\$ 11,418,000</u></u>

Cash received for Resident Revenue is allocated between revenues received from residents and revenues received from persons who did not have a continuing care contract based on the weighted average determined on line 11 of Form 1-1.

\* Conversion of GAAP Resident Revenue to Cash Basis Resident Revenue

Revenue from Resident Services and Ancillary Services, per Statement of Operations	\$ 11,438,000
Less: Accounts Receivable at 12/31/17	92,000
Plus: Accounts Receivable at 12/31/16	<u>72,000</u>
Revenue from Resident Services, cash basis	<u><u>\$ 11,418,000</u></u>

FORM 5-5  
ANNUAL RESERVE CERTIFICATION

Provider Name: BLC Glenwood Gardens AL-LH, LLC dba Brookdale Riverwalk

Fiscal Year Ended: December 31, 2017

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/17 and are in compliance with those requirements.

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

- [1] Debt Service Reserve Amount  
[2] Operating Expense Reserve Amount

Amount	
\$	3,369,000
\$	1,403,000

- [3] Total Liquid Reserve Amount:

\$	4,772,000
----	-----------

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

Amount  
(market value at end of quarter)

Qualifying Asset Description

- [4] Cash and Cash Equivalents  
[5] Investment Securities  
[6] Equity Securities  
[7] Unused/Available Lines of Credit  
[8] Unused/Available Letters of Credit  
[9] Debt Service Reserve  
[10] Other: \_\_\_\_\_

Debt Service Reserve	Operating Reserve
\$ 3,369,000	\$ 1,403,000
_____	_____
_____	_____
_____	_____
_____	(not applicable)
_____	_____

(describe qualifying asset)

See attached statement

Total Amount of Qualifying Assets

Listed for Liquid Reserve:

Total Amount Required:

Surplus/(Deficiency):

[11]	\$ 3,369,000	[12]	\$ 1,403,000
[13]	\$ 3,369,000	[14]	\$ 1,403,000
[15]	\$ -	[16]	\$ -

Signature:

(Authorized Representative)

Date: 4/30/18

Joanne Leskiewicz, Senior Vice President

(Title)

- i The per capita costs of operation for BLC Glenwood Gardens AL-LH, LLC continuing care retirement community:

Form 1-2 1. Total Operating Expense	<u>\$11,441,000</u>
Form 1-1 7. Number at end of year	248

Total costs per resident	\$46,133
--------------------------	----------

- ii The construction in progress was funded through BLC Glenwood Gardens AL-LH, LLC own funds, no new financing were made in FY 2017 for construction. In addition, there were no funds set aside for future projects nor for any contingency amounts for BLC Glenwood Gardens AL-LH, LLC.

In accordance with the Code, BLC Glenwood-Gardens AL-LH, LLC, has computed its liquid reserve requirement as of December 31, 2017, its most recent fiscal year end, and the reserve is based on Brookdale Senior Living, Inc.'s consolidated audited financial statements for that period.

The restricted cash consists of reserve funds required by regulatory agencies for licensed continuing care retirement communities. As of December 31, 2017, the minimum liquid reserve ("MLR") funded by restricted cash was \$4.8 million. Of the \$4.8 million, \$3.4 million was for Debt Service Reserve, to service debt and \$1.4 million was for Operating Reserve, to cover operating expenses.



**Note 1 to the Continuing Care Reserve Report (Part 5)**

The continuing care reserve report included in Part 5 has been prepared in accordance with the report preparation provisions of the California Health and Welfare Code (the Code), Section 1792.

Section 1792 of the Code indicates that the Company should maintain at all times qualifying assets as a liquid reserve in an amount that equals or exceeds the sum of the following:

- The amount the provider is required to hold as a debt service reserve under Section 1792.3.
- The amount the provider must hold as an operating expense reserve under Section 1792.4.

In accordance with the Code, the Company has computed its liquid reserve requirement as of December 31, 2017, its most recent fiscal year end, and the reserve is based on Brookdale Senior Living, Inc.'s consolidated audited financial statements for that period.

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

	<b><u>RESIDENTIAL LIVING</u></b>	<b><u>ASSISTED LIVING</u></b>	<b><u>SKILLED NURSING</u></b>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable) _____	\$ 4,326	\$ 3,565	_____
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) _____	3.8%	2.2%	_____
<input type="checkbox"/> Check here if monthly service fees at this community were <u>not</u> increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)			
[3] Indicate the date the fee increase was implemented: 1/1/2017 (If more than 1 increase was implemented, indicate the dates for each increase.)			
[4] Check each of the appropriate boxes:			
<input checked="" type="checkbox"/> Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.			
<input checked="" type="checkbox"/> All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.			
<input checked="" type="checkbox"/> 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.			
<input checked="" type="checkbox"/> At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.			
<input checked="" type="checkbox"/> The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.			
<input checked="" type="checkbox"/> 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.			
[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.			

PROVIDER: BLC Glenwood Gardens AL-LH, LLC dba Brookdale Riverwalk

COMMUNITY: Brookdale Riverwalk

Form 7-1 Note

[5] Monthly service fees increased due to rate changes from annual increases from both billing and market rate adjustments of 2.2-3.8%. Additional factors affecting average for the year include new or burning off incentives, resident turnover, and market evaluations.



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

Date Prepared: 4/27/18

FACILITY NAME: Brookdale Riverwalk

ADDRESS: 350 Calloway Drive, Bakersfield, CA

ZIP CODE: 93312

PHONE: 661-587-0221

PROVIDER NAME: BLC Glenwood-Gardens AL-LH, LLC

FACILITY OPERATOR: Brookdale Senior Living

RELATED FACILITIES: Please see below for other CCRCs

RELIGIOUS AFFILIATION: None

YEAR OPENED: 1998 # OF ACRES: 21 ☐ SINGLE STORY ☐ MULTI-STORY ☒ OTHER: Both

MILES TO SHOPPING CTR: 2

MILES TO HOSPITAL: 1

**NUMBER OF UNITS:**

**RESIDENTIAL LIVING**

APARTMENTS — STUDIO: 0

APARTMENTS — 1 BDRM: 0

APARTMENTS — 2 BDRM: 0

COTTAGES/HOUSES: 19

RLU OCCUPANCY (%) AT YEAR END:                     

**HEALTH CARE**

ASSISTED LIVING: 227

SKILLED NURSING: 120

SPECIAL CARE: 27

DESCRIPTION: > Dementia Care

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

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

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

RANGE OF ENTRANCE FEES: \$ N/A - \$                      LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: None

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: N/A OTHER: N/A

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

> A resident representative meets with a representative of the governing body periodically to discuss budgeting and other resident matters.

**FACILITY SERVICES AND AMENITIES**

<b><u>COMMON AREA AMENITIES</u></b>	<b><u>AVAILABLE</u></b>	<b><u>FEE FOR SERVICE</u></b>	<b><u>SERVICES AVAILABLE</u></b>	<b><u>INCLUDED IN FEE</u></b>	<b><u>FOR EXTRA CHARGE</u></b>
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (___ TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	MEALS (___/DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input type="checkbox"/>	<input type="checkbox"/>	OTHER <u>                    </u>	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Lopunge, Movie Room (Universal)</u>	<input checked="" 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: BLC Glenwood-Gardens AL-LH, LLC d/b/a Brookdale Riverwalk

**OTHER CCRCs**

Brookdale Carlsbad

Brookdale Carmel Valley

Brookdale Rancho Mirage

Brookdale San Juan Capistrano

Brookdale Camarillo

Brookdale Riverwalk

Brookdale Northridge

Brookdale San Dimas

Brookdale Fountaingrove

Brookdale Yorba Linda

**MULTI-LEVEL RETIREMENT COMMUNITIES**

N/A

**LOCATION (City, State)**

Carlsbad, CA

San Diego, CA

Rancho Mirage, CA

San Juan Capistrano, CA

Camarillo, CA

Bakersfield, CA

Northridge, CA

San Dimas, CA

Santa Rosa, CA

Yorba Linda, CA

**LOCATION (City, State)**

**PHONE (with area code)**

(760) 720-9898

(858) 259-2222

(760) 340-5999

(949) 248-8855

(805) 388-8086

(661) 587-0182

(818) 886-1616

(909) 394-0304

(707) 566-8600

(714) 777-9666

**PHONE (with area code)**

**FREE-STANDING SKILLED NURSING**

N/A

**LOCATION (City, State)**

**PHONE (with area code)**

**SUBSIDIZED SENIOR HOUSING**

N/A

**LOCATION (City, State)**

**PHONE (with area code)**

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



PROVIDER NAME: BLC Glenwood Gardens AL-LH, LLC dba Brookdale Riverwalk

	2014	2015	2016	2017
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b>				
(Excluding amortization of entrance fee income)	10,425,704	10,900,000	10,854,000	11,438,000
<b>LESS OPERATING EXPENSES</b>				
(Excluding depreciation, amortization, and interest)	5,197,205	7,123,000	8,597,000	7,813,000
<b>NET INCOME FROM OPERATIONS</b>	5,228,499	3,777,000	2,257,000	3,625,000
<b>LESS INTEREST EXPENSE</b>	-	2,522,000	3,112,000	3,369,000
<b>PLUS CONTRIBUTIONS</b>	-	1,064,000	157,000	(5,571,000)
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b>				
(excluding extraordinary items)	-	-	-	-
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	760,787	1,255,000	(698,000)	(5,315,000)
<b>NET CASH FLOW FROM ENTRANCE FEES</b>				
(Total Deposits Less Refunds)	-	-	-	-

\*\*\*\*\*

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

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

\*\*\*\*\*

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

	2015 CCAC Medians 50 <sup>th</sup> Percentile (optional)	2015	2016	2017
<b>DEBT TO ASSET RATIO</b>			-	-
<b>OPERATING RATIO</b>		88.48	.96	.90
<b>DEBT SERVICE COVERAGE RATIO</b>			.75	1.08
<b>DAYS CASH ON HAND RATIO</b>				

\*\*\*\*\*

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

	2014	%	2015	%	2016	%	2017
STUDIO							
ONE BEDROOM							
TWO BEDROOM							
COTTAGE/HOUSE	4,010	3.0%	4,139	.70%	4,167	3.8%	4,326
ASSISTED LIVING	3,534	(8.0%)	3,235	7.9%	3,489	2.2%	3,565
SKILLED NURSING	-	-	-	-	-		
SPECIAL CARE	7,406	3.0%	7,648	(1.1%)	7,567	6.8%	8,078

\*\*\*\*\*

**COMMENTS FROM PROVIDER:** >  
>  
>

PROVIDER NAME: BLC Glenwood-Gardens AL-LH, LLC d/b/a Brookdale Riverwalk

### **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.