#### CERTIFICATE

## SH NORTHRIDGE CA OPCO, LLC, HCP S-H LCS OPCO, LLC,

#### For the Facility Known As:

#### Brookdale Northridge

State of	CALIFORNIA	_)
		SS:
County of	LOS ANGELES	_)

The enclosed Annual Report for SH NORTHRIDGE CA OPCO, LLC AND HCP S-H LCS OPCO, LLC, 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 Northridge has been approved by the Department.

As of the date of this certification, SH NORTHRIDGE CA OPCO, LLC AND HCP S-H LCS OPCO, LLC, maintain the required liquid reserve for Brookdale Northridge,

Matthew Harrison Vice President & Corporate Secretary

Sworn and subscribed to before me, a Notary Public, this \_\_\_\_\_ day of \_\_\_\_\_, 2021

See attached **CA Notarial Certificate** 

Notary

(Notarial Seal)

My commission expires:

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of LOS ANGELES

Subscribed and Sworn to (or affirmed) before me on this 30th day of APRIL, 2021,

by MATTHEW M. HARRISON

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

WITNESS my hand and seal.

Lorraine E. Peterson, Notary Public County of Orange, State of California Notary registration number: 2279188 Commission expires: March 28, 2023

#### FORM 1-1 RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	87
[2]	Number at end of fiscal year	82
[3]	Total Lines 1 and 2	169
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x.50
[5]	Mean number of continuing care residents	84.5
	All Residents	
[6]	Number at beginning of fiscal year	106
[7]	Number at end of fiscal year	94
[8]	Total Lines 6 and 7	200
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x.50
[10]	Mean number of all residents	100
[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).	84.50%

#### FORM 1-2 ANNUAL PROVIDER FEE

Line					TOTAL
[1]	Total Operating Expenses (including depreciation and debt service- in	terest on	ly)	\$	1,203,000
[a]	Depreciation	\$	-	_	
[b]	Debt Service (Interest Only)	\$	-		
[2]	Subtotal (add Line 1a and 1b)			\$	-
[3]	Subtract Line 2 from Line 1 and enter result.			\$	1,203,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)				84.50%
[5]	Total Operating Expense for Continuing Care Residents				
	(multiply Line 3 by Line 4)			\$	1,017,000
[6]	Total Amount Due (multiply Line 5 by .001)				
					x .001
				\$	1,017

PROVIDER:	SH NORTHRIDGE CA OPCO, LLC, HCP S-H LCS OPCO, LLC AND HCP MA3 CALIFORNIA, LP
COMMUNITY:	Brookdale Northridge



## **CERTIFICATE OF LIABILITY INSURANCE**

Page 1 of 2

DATE (MM/DD/YYYY) 12/08/2020

6								/	
CE	HIS CERTIFICATE IS ISSUED AS A M ERTIFICATE DOES NOT AFFIRMATIN ELOW. THIS CERTIFICATE OF INSU EPRESENTATIVE OR PRODUCER, AN	/ELY OR JRANCE	NEGATIVELY AMEND, DOES NOT CONSTITUT	EXTEN	ID OR ALTE	R THE CON	ERAGE AFFORDED	BY THE	POLICIES
IM	IPORTANT: If the certificate holder is SUBROGATION IS WAIVED, subject	an ADD	ITIONAL INSURED, the p	olicy(ie	es) must hav	e ADDITION	AL INSURED provision	t A et	e endorsed. atement on
	is certificate does not confer rights to						equire all endorsemen		atement on
	DUCER						n Certificate Cente	r	
	lis Towers Watson Midwest, Inc.				. Ext): 1-877-				-467-2378
	26 Century Blvd Box 305191			E-MAIL	S: certific	ates@willi			
	hville, TN 372305191 USA			ADDICES			DING COVERAGE		NAIC #
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INSU	IRED						arine Insurance Com	pany	20079
	Northridge CA OpCo, LLC						ty Insurance Compan		44776
	50 Devonshire St. thridge, CA 91325				RD: Ascot 1				23752
				INSURE	RE:				
				INSURE	RF:				
	VERAGES CER	TIFICATE	E NUMBER: W18922777				<b>REVISION NUMBER:</b>		
IN Cl	HIS IS TO CERTIFY THAT THE POLICIES IDICATED. NOTWITHSTANDING ANY RE ERTIFICATE MAY BE ISSUED OR MAY F XCLUSIONS AND CONDITIONS OF SUCH I	QUIREME PERTAIN.	NT, TERM OR CONDITION THE INSURANCE AFFORD	OF ANY	Y CONTRACT	OR OTHER D	DOCUMENT WITH RESPE	ECT TO	WHICH THIS
INSR LTR		ADDL SUBR			POLICY EFF (MM/DD/YYYY)	POLICY EXP	LIM	TS	
LIR	X COMMERCIAL GENERAL LIABILITY	INSD WVD	FOLICT NUMBER		(מווווי) (מווווי)		EACH OCCURRENCE	\$	1,000,000
	× CLAIMS-MADE OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence)	s	100,000
A	X Retention \$500,000 Per Claim						MED EXP (Any one person)	\$	
			SB-LTCA-01841-20	)	09/01/2020	09/01/2021	PERSONAL & ADV INJURY	\$	1,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE	\$	3,000,000
	POLICY PRO- JECT × LOC						PRODUCTS - COMP/OP AGG	\$	1,000,000
	OTHER:						Policy Aggregate	\$	10,000,000
	AUTOMOBILE LIABILITY						COMBINED SINGLE LIMIT (Ea accident)	\$	
	ANY AUTO						BODILY INJURY (Per person)	\$	
	OWNED AUTOS ONLY SCHEDULED AUTOS						BODILY INJURY (Per accident	\$	
	HIRED AUTOS ONLY AUTOS ONLY						PROPERTY DAMAGE (Per accident)	\$	
								\$	
A	UMBRELLA LIAB OCCUR						EACH OCCURRENCE	\$	5,000,000
	X EXCESS LIAB X CLAIMS-MADE		SB-LTCAX-01593-2	0	09/01/2020	09/01/2021	AGGREGATE	\$	5,000,000
	DED RETENTION \$							\$	
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY						PER OTH- STATUTE ER		
	AND EMPLOYERS LIABLETT Y/N ANYPROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBEREXCLUDED?	N/A					E.L. EACH ACCIDENT	\$	
	(Mandatory in NH) If yes, describe under						E.L. DISEASE - EA EMPLOYE		
	DÉSCRIPTION OF OPERATIONS below		Same supported subscription inc.			00/04/0000	E.L. DISEASE - POLICY LIMIT		0.000
A	Professional Liability		SB-LTCA-01841-2	U	09/01/2020	09/01/2021	Each Claim	and the second second	00,000
							Location Aggregate	second as a second	000,000
-							Retention	\$500,	,000
	SCRIPTION OF OPERATIONS / LOCATIONS / VEHIC cation: Brookdale Northridge -						red)		
	cation: Brookdale Northridge - E ATTACHED	1/650	Devonshire St. North	ILTage	, CA 91323				
135	E ATTACIED								
CE	RTIFICATE HOLDER			CAN	CELLATION				
				THE	EXPIRATIO	N DATE TH	DESCRIBED POLICIES BE EREOF, NOTICE WILL CY PROVISIONS.		
				AUTHO	DRIZED REPRES	ENTATIVE			
					0	$\widehat{\mathbf{D}}$ .			
Ev	vidence of Coverage				andrea	- Tario			

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



## ADDITIONAL REMARKS SCHEDULE Page \_2 of \_2

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AGENCY Willis Towers Watson Midwest, Inc		NAMED INSURED SH Northridge CA OpCo, LLC	
POLICY NUMBER	•	17650 Devonshire St.	
See Page 1		Northridge, CA 91325	
CARRIER	NAIC CODE	1	
See Page 1	See Page 1	EFFECTIVE DATE: See Page 1	
ADDITIONAL REMARKS			
THIS ADDITIONAL REMARKS FORM IS	A SCHEDULE TO ACORD FORM,		
	TLE: Certificate of Liability	Insurance	
INSURER AFFORDING COVERAGE: Nat			NAIC#: 20079
POLICY NUMBER: FNSC100948 E	FF DATE: 09/01/2020 EXP	DATE: 09/01/2021	
TYPE OF INSURANCE:	LIMIT DESCRIPTION:	LIMIT AMOUNT:	
Excess (10M x 5M)	Each Occurrence	\$10,000,000	
	Aggregate	\$10,000,000	
INSURER AFFORDING COVERAGE: Sta POLICY NUMBER: X88052200AHL		Company KP DATE: 09/01/2021	NAIC#: 44776
POLICY NUMBER: X88052200AHL	EFF DATE: 09/01/2020 E.	KP DATE: 09/01/2021	
TYPE OF INSURANCE:	LIMIT DESCRIPTION:	LIMIT AMOUNT:	
Excess Liability (5M x 15M )	Each Occurrence Aggregate	\$5,000,000 \$5,000,000	
	Aggregate	\$3,000,000	
TNOUDED AREADATING COMEDAGE. Ac-			NAIC#: 23752
INSURER AFFORDING COVERAGE: Asc POLICY NUMBER: UA200H860X1X		XP DATE: 09/01/2021	NAIC#. 23752
	The second	<ul> <li>Comparison and contrast second contrast for the second contrast of the second</li></ul>	
	TTUTE DECODEDETON.	TTATE BACINE.	
TYPE OF INSURANCE: Excess Liability (5M x 20M)	LIMIT DESCRIPTION: Each Occurrence	LIMIT AMOUNT: \$5,000,000	
	Aggregate	\$5,000,000	
INSURER AFFORDING COVERAGE: Nat	ional Fire & Marine Insuran	ce Company	NAIC#: 20079
POLICY NUMBER: 42-XSC-312120-01	EFF DATE: 09/01/2020	EXP DATE: 09/01/2021	
TYPE OF INSURANCE:	LIMIT DESCRIPTION:	LIMIT AMOUNT:	
Excess Liability ( $5M \times 25M$ )	Each Occurrence	\$5,000,000	
	Aggregate	\$5,000,000	
1			
ACORD 101 (2008/01)		© 2008 ACORD CO	RPORATION. All rights reserved
	The ACORD name and logo an	e registered marks of ACORD	



# SH Northridge CA OpCo, LLC

**2020 Client Service Communication** 



The Member SH Northridge CA OpCo, LLC

Dear Member:

We have audited the financial statements of SH Northridge CA OpCo, LLC (the "Company"), as of December 31, 2020 and for the period from December 1, 2020 (date of inception) to December 31, 2020, and have issued our report thereon dated April 28, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated October 16, 2020. Professional standards also require that we communicate to you certain other matters related to our audit.

This report is intended solely for the information and use of the Member and management of the Company 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 LBMC as your business advisor. We strive to help you stay compliant, manage risk, and improve performance in every way as you grow your business.

LBMC, PC

Brentwood, Tennessee April 28, 2021

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Interaction with management, independence, and other matters	6
Internal control related matters	7
Client service is a priority	8

# Overview of the Audit and Responsibilities

Scope of Attest Services	LBMC was engaged to perform an audit of the Company's 2020 financial statements.
Internal Controls	Management is responsible for the preparation and fair presentation of the financial statements and maintaining internal controls.
Attest Deliverable	LBMC issued an unmodified opinion on the Company's financial statements and communicated certain matters relating to the audited financial statements.

# Qualitative Assessments

Area	Detail
Qualitative Aspects of Accounting Practices – Accounting Policies	Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 2 to the financial statements. We are not aware of any transactions entered into by the Company during the period for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
Qualitative Aspects of Accounting Practices - Estimates	Accounting estimates are an integral part of the Company's financial statements and are based on management's knowledge and experience, as well as certain assumptions. Certain accounting estimates are particularly sensitive due to: (i) their significance to the financial statements; and (ii) uncertainties inherent in the estimation process. The most sensitive estimates affecting the financial statements relate to:
	<ul> <li>Accounts receivable and related revenue recognition</li> <li>The reserve for and allocation of self-insurance costs</li> <li>Valuation and allocation of assets and liabilities contributed upon formation</li> <li>Valuation of assets held for sale</li> </ul>
	We evaluated the key factors and assumptions used to develop each of these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.
Qualitative Aspects of Accounting Practices – Disclosures	Financial statement disclosures are neutral, consistent, and clear.

# Interaction with Management, Independence, and Other Matters

Area	Detail
Difficulties Encountered in Performing the Audit	<ul> <li>For purposes of this report, "difficulties" may include matters such as:</li> <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> <li>We encountered no significant difficulties in performing and completing our audit.</li> </ul>
Disagreements with Management	For purposes of this report "disagreements with management" include matters that, individually or in the aggregate, could be significant to the Company's financial statements or the auditors' report, regardless of whether they were satisfactorily resolved. Examples of such matters include, but are not limited to, the application of accounting principles to a specific transaction, the basis for management's judgments about accounting estimates, and the scope of the audit. We are pleased to report that no such disagreements arose during the course of our audit.
Management Consultations with Other Independent Accountants	If management were to consult with other accountants about the application of an accounting principle to the Company's financial statements or the type of auditors' opinion that may be expressed on those statements, professional standards require the consulting accountant to confer with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.
Management Representations	We have requested certain representations from management that are included in the management representation letter dated April 28, 2021.
Independence	We are not aware of any relationships between our firm and the Company that, in our professional judgment, may reasonably be thought to bear on our independence that have occurred during the period from December 1, 2020 through the date of this report.
Other Findings or Issues	We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management both prior to, and subsequent to engagement as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our engagement.
Corrected and Uncorrected Misstatements	Misstatements identified during the audit that are more than trivial in nature and magnitude have been communicated to management. Management has corrected all such misstatements, none of which were material individually, or in the aggregate, to the combined financial statements taken as a whole.

## **Internal Control Related Matters**

In planning and performing our audit of the financial statements, we considered the Company's internal control over 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 Company's financial statements 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, Shareholder 615-309-2209 abissonnette@lbmc.com

Courtney H. Bach, Shareholder 615-309-2481 cbach@lbmc.com

Michelle L. Schmidt, Senior Manager 615-309-2439 mschmidt@lbmc.com

## SH Northridge CA OpCo, LLC

**Financial Statements** 

December 31, 2020

(With Independent Auditors' Report Thereon)



## SH Northridge CA OpCo, LLC

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#### INDEPENDENT AUDITORS' REPORT

**BUSINESS** BETTER

To the Member of SH Northridge CA OpCo, LLC

We have audited the accompanying financial statements of SH Northridge CA OpCo, LLC (the "Community"), which comprise the balance sheet as of December 31, 2020, and the related statements of operations, changes in member's equity and cash flows for the period from December 1, 2020 (date of inception) to December 31, 2020, and the related notes to the financial statements.

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

LBMC MAKE A GOOD BUSINESS BET

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

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 SH Northridge CA OpCo, LLC as of December 31, 2020, and the results of its operations and its cash flows for the period from December 1, 2020 (date of inception) to December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

## LBMC, PC

Brentwood, Tennessee April 28, 2021

### SH Northridge CA OpCo, LLC Balance Sheet December 31, 2020 (in thousands)

Assets				
Current assets:				
Cash and cash equivalents	\$	1,156		
Accounts receivable, net		403		
Prepaid expenses and other current assets		118		
Total current assets		1,677		
Restricted cash		3,477		
Assets held for sale		6		
Total assets	\$	5,160		
Liabilities and Member's Equity				
Current liabilities:				
Accounts payable	\$	114		
Accrued expenses		324		
Deferred revenue		100		
Total current liabilities		538		
Deferred lease costs		158		
Other long-term liabilities		9		
Total liabilities		705		
Member's equity		4,455		
Total liabilities and member's equity	\$	5,160		

## SH Northridge CA OpCo, LLC Statement of Operations For the period from December 1, 2020 (date of inception) to December 31, 2020 (in thousands)

Resident services revenue, net	\$ 908
Expenses:	
Community operating expense	1,000
Facility lease expense	158
Management fee expense	 45
Total expenses	 1,203
Net loss	\$ (295)

#### SH Northridge CA OpCo, LLC Statement of Changes in Member's Equity For the period from December 1, 2020 (date of inception) to December 31, 2020 (in thousands)

	Mem	ber's Equity
Balance at December 1, 2020	\$	-
Member contributions, net		4,750
Net loss		(295)
Balance at December 31, 2020	\$	4,455

#### SH Northridge CA OpCo, LLC Statement of Cash Flows For the period from December 1, 2020 (date of inception) to December 31, 2020 (in thousands)

Cash flows from operating activities:		
Cash received from residents	\$	605
Cash paid to suppliers and employees		(821)
Net cash used in operating activities		(216)
Cash flows from investing activities:		
Cash received at formation of the Community (see Note 1)		105
Purchases of property and equipment	-	(6)
Net cash provided by investing activities		99
Cash flows from financing activities - member contributions, net		4,750
Net change in cash and restricted cash		4,633
Cash and restricted cash at beginning of period		-
Cash and restricted cash at end of period	\$	4,633
Reconciliation of net loss to net cash used in operating activities:		
Net loss		(295)
Adjustments to reconcile net loss to net cash used in operating activities -		
Straight-line lease expense		158
Increase in, net of effects of contributed assets:		
Accounts receivable		(403)
Prepaid expenses and other current assets		(77)
Increase in, net of effects of contributed liabilities:		
Accounts payable and accrued expenses		292
Deferred revenue		100
Other long-term liabilities		9
Net cash used in operating activities	\$	(216)

#### (1) Organization

On December 1, 2020, Healthpeak Properties, Inc. ("PEAK") formed SH Northridge CA OpCo, LLC (the "Community") and HCP MA3 California, LP ("PropCo") (collectively, the "Company"), as an operator and owner, respectively, of a senior living community in Northridge, 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 multiple levels of physical ability and health. The Community has 24 memory care units, 90 assisted living units, and 45 skilled nursing beds.

The Community allows for residents to pay a monthly fee paid for by the residents directly or through private insurance and are somewhat reliant on government reimbursement programs such as Medicare. The services are provided by our third party manager-operator which entitles them to the use of certain amenities and services.

PEAK contributed assets and liabilities to the Community upon formation. The Community allocated the fair values of the assets and obligations as follows:

Receivable	\$	116
Prepaid expenses and other current assets		30
Accrued expenses	·	(146)
Net	\$	-

Of the \$116 receivable, \$105 was paid in cash during December 2020, and the remaining \$11 was settled in January 2021. The \$11 receivable as of December 31, 2020 was included in other current assets on the balance sheet.

#### (2) Summary of Significant Accounting Policies

#### **New Accounting Standards**

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 amends the existing accounting principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires a lessee to recognize a right-of-use asset and a lease liability on the balance sheet for most leases. The Community anticipates that the adoption of ASU 2016-02 will result in the recognition of a material lease liability and right-of-use asset on the balance sheet for its operating lease. The Community is unable to reasonably estimate such amounts at this time. Additionally, ASU 2016-02 makes targeted changes to lessor accounting, including changes to align certain aspects with the revenue recognition model, and requires enhanced disclosure of lease arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, and early adoption is permitted. Management of the Community is currently evaluating the impact adoption will have on its financial statements and disclosures.

#### **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 Community to provide financial statements, which include cash flows presented using the direct method. In accordance with this requirement, the Community has presented cash flows and related reconciliations of net loss to cash flows provided by (used in) operating activities using the direct method for the period from December 1, 2020 (date of inception) to December 31, 2020.

#### **Use of Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect 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 Community may undertake in the future, actual results may be different from the estimates.

#### **Revenue Recognition**

Resident services revenue is reported at the amount that reflects the consideration the Community expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Resident services revenue is recognized as performance obligations are satisfied.

Under the Community's senior living residency agreements, which are generally for a contractual term of 30 days to one year, the Community provides senior living services to residents for a stated daily or monthly fee. The Community has determined that the senior living services included under the daily or monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time.

The Community receives revenue for services under various third-party payor programs which include Medicare and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The Community estimates the transaction price based on the terms of the contract with the payor, correspondence with the payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

#### Cash and Cash Equivalents

The Community defines cash and cash equivalents as cash and investments with maturities of 90 days or less when purchased.

#### **Restricted** Cash

Restricted cash consists principally of deposits required by the California Department of Social Services ("CDSS").

#### Accounts Receivable

Accounts receivable are reported net of an allowance for credit losses to represent the Community's estimate of inherent losses at the balance sheet date. As of December 31, 2020, the allowance for credit losses was \$5. The adequacy of the Community's allowance for credit losses 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.

Billings for services under third-party payor programs are recorded net of estimated retroactive adjustments, if any, under reimbursement programs. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods or as final settlements are determined. Contractual or cost related adjustments from Medicare are accrued when assessed (without regard to when the assessment is paid or withheld). Subsequent positive or negative adjustments to these accrued amounts are recorded in net revenues when known. At December 31, 2020, approximately 97% of the Community's accounts receivable was covered by various third-party payor programs, including Medicare. Approximately 42% of the Community's resident services revenue for the period from December 1, 2020 (date of inception) to December 31, 2020 was attributable to various third-party payor programs, including Medicare programs.

#### **Deferred Lease Costs**

Rent expense is recorded on a straight-line basis over the term of the lease. Lease escalations during the term of the lease create a deferred lease liability which represents the excess of rent expense to date over the actual rent paid to date. The net amount of straight-line lease expense recognized as a result of the amortization of these liabilities totaled \$158 for the period from December 1, 2020 (date of inception) to December 31, 2020, and is included in facility lease expense on the accompanying statement of operations. The Community had a deferred lease liability of \$158 as of December 31, 2020.

#### Income Taxes

The Community is treated as a limited liability company for tax purposes. Generally, no provision for federal and state income taxes has been recorded as payment for income taxes is the responsibility of the individual member.

#### Assets Held for Sale

The Community is classified as held for sale when the assets are available for sale in its present condition and the sale is probable. For this purpose, a sale is probable if management is committed to a plan to achieve the sale, there is an active program to dispose of the assets, the assets are being actively marketed at a reasonable price, the sale is anticipated to be completed within one year from the date of classification, and it is unlikely that there will be significant changes to the plan. Immediately before classification as held for sale, the assets are remeasured at the lower of their carrying amount and fair value less costs to sell. The long-lived assets are not depreciated while classified as held for sale, but are subject to impairment evaluation.

#### Subsequent Events

The Community has evaluated events subsequent to December 31, 2020 through the date the financial statements were available to be issued, April 28, 2021, and determined that no events have occurred which would require additional disclosure.

#### (3) COVID-19 Pandemic

The COVID-19 pandemic has significantly disrupted, and likely will continue to significantly disrupt for some period, the senior living industry and the Community's business. Due to the average age and prevalence of chronic medical conditions among the Community's residents and patients, they generally are at disproportionately higher risk of hospitalization and adverse outcomes if they contract COVID-19. The Community continues to serve and care for seniors at its community through the pandemic.

The pandemic, including the related restrictions at the Community, has significantly disrupted demand for senior living care and the sales process, which typically includes in-person prospective resident visits within the Community.

Facility operating expense for the period from December 1, 2020 (date of inception) through December 31, 2020 includes \$155 of incremental direct costs to prepare for and respond to the pandemic, including costs for: acquisition of additional personal protective equipment ("PPE"), medical equipment, and cleaning and disposable food service supplies; enhanced cleaning and environmental sanitation; increased employee-related costs, including labor, workers compensation, and health plan expense; increased expense for general liability claims; and COVID-19 testing of residents and associates where not otherwise covered by government payor or third-party insurance sources.

The Community cannot predict with reasonable certainty the impacts that COVID-19 ultimately will have on its business, results of operations, cash flow, and liquidity. The ultimate impacts of COVID-19 will depend on many factors, some of which cannot be foreseen, including: the duration, severity, and breadth of the pandemic and any resurgence of the disease; the impact of COVID-19 on the nation's economy and debt and equity markets and the local economies in its market; the development, availability, utilization, and efficacy of COVID-19 testing, therapeutic agents, and vaccines and the prioritization of such resources among businesses and demographic groups, government financial and regulatory relief efforts that may become available to business and individuals, including its ability to qualify for and satisfy the terms and conditions of financial relief;

## SH Northridge CA OpCo, LLC Notes to Financial Statements December 31, 2020 (dollars in thousands except as where otherwise stated)

perceptions regarding the safety of senior living communities during and after the pandemic; changes in demand for senior living communities and the Community's ability to adapt its sales and marketing efforts to meet that demand; the impact of COVID-19 on its residents' and their families' ability to afford its resident fees, including due to changes in unemployment rates, consumer confidence, housing markets, and equity markets caused by COVID-19; changes in the acuity levels of its new residents; the disproportionate impact of COVID-19 on seniors generally and those residing in its community, the duration and costs of its response efforts, including increased equipment, supplies, labor, litigation, testing, vaccination clinic, and other expenses; the impact of COVID-19 on its ability to complete financings, refinancings, or other transactions or to generate sufficient cash flow to cover required lease payments and to satisfy financial and other requirements in its lease documents; increased regulatory requirements, including unfunded, mandatory testing; increased enforcement actions resulting from COVID-19; government action that may limit its collection or discharge efforts for delinquent accounts; and the frequency and magnitude of legal actions and liability claims that may arise due to COVID-19 or its response efforts.

#### (4) Assets Held for Sale

The Company has entered into an agreement to sell its property, as defined in the sale agreement, to an unrelated third party. Accordingly, as of December 31, 2020, the Community classified the property and equipment of \$6 as held for sale.

#### (5) Accrued Expenses

Accrued expenses as of December 31, 2020 consisted of the following components:

\$ 77
179
2
66
\$ 324
\$ 

#### (6) Related-Party Transactions

#### Management Agreement

On December 1, 2020, the Community entered into a long-term management agreement with HBC Manager, LLC ("HBC"). Subject to the terms of the agreement, HBC will receive a management fee equal to 5% of gross revenues as defined in the agreement. Furthermore, out-of-pocket costs and expenses incurred on behalf of the Community by HBC are subject to reimbursement to HBC. The management contract extends through March 1, 2022. The amount incurred for management fees was \$45 for the period from December 1, 2020 (date of inception) to December 31, 2020. The management agreement will be terminated upon the sale of the property (see Note 4).

## SH Northridge CA OpCo, LLC Notes to Financial Statements December 31, 2020 (dollars in thousands except as where otherwise stated)

#### **Community Lease**

On December 1, 2020, the Community entered into a lease agreement (the "Lease") with PropCo, a related party, for the use of the Community. The Lease term ends on June 30, 2032. The Lease requires the payment of base rent which escalates in accordance with the terms of the Lease through June 30, 2024. Effective July 1, 2024, the base rent will be reset to fair market value rental every three years in accordance with the Lease. The Community incurred rent expense of \$158 for the period from December 1, 2020 (date of inception) to December 31, 2020, of which \$0.1 was paid in cash and \$158 was recorded as straight-line lease expense.

The aggregate amounts of future minimum lease payments under the agreement as of December 31, 2020, are as follows:

2021	\$ 678
2022	1,812
2023	2,718
2024 (Through June 2024)	1,583
Total (Through June 2024)	\$ 6,791

As described above, the future lease payments under the Lease are subject to an adjustment to the fair market value rental beginning in July 2024. The future lease payments presented in the table above do not include an estimate of base rent payments subsequent to the fair market rent adjustment in 2024 as they are not known at this time.

#### (7) Credit Risk

The Community generally maintains cash on deposit at banks in excess of federally insured amounts. The Community has not experienced any losses in such accounts and management believes the Community is not exposed to any significant credit risk related to cash.

#### (8) Commitments and Contingencies

#### Minimum Liquid Reserve

The CDSS, under Health and Safety code section 1789, requires the Community to maintain minimum debt service and operating reserves for continuing care service providers based on certain financial calculations. The Community holds a reserve balance of \$3,477 as of December 31, 2020. The reserve balance expected to be required by the CDSS as of December 31, 2020 is approximately \$3,612. Additional funding from the current cash available is expected to be required in 2021.

#### Litigation

The Community is subject to legal proceedings and claims that arise in the ordinary course of business.

#### Insurance

The delivery of personal and health care services entails an inherent risk of liability. Participants in the senior living and health care services industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant exposure and defense costs. Through PEAK, the Community currently maintains general and professional medical malpractice insurance policies under a master insurance program. In response to these conditions, the Community has increased the staff and resources involved in quality assurance, compliance, and risk management.

The Community currently maintains single incident and aggregate liability protection in the amount of \$1,000 and \$3,000, respectively, with self-insured retentions of \$500 per claim and \$10,000 in annualized aggregate for general liability and professional liability. Through HBC, the Community participates in a self-insured workers' compensation program, with excess of loss coverage provided by third party carriers. The Community's coverage for workers' compensation and related programs included a shared loss worker compensation program through HBC. HBC maintains workers compensation coverage through a large deductible policy with a current deductible of \$1,000. Through the shared worker compensation program claims costs are allocated between all participants based on community type. Each participant is assigned a loss factor that is applied to budgeted payroll to accrue claims expense under the program to each participant. Through HBC, the Community participates in a self-insurance program for employee medical coverage. Loss reserves for employee medical coverage are recorded as liabilities by HBC with no allocation made to the Community. The resulting loss expenses incurred by HBC are allocated to the Community during the year.

Estimated claims reserves related to this self-insurance program are accrued for the ultimate cost of unpaid reported and unreported claims incurred. The reserves are adjusted regularly based on experience. The Community performs a continuing review of its claims and claim adjustment expense reserves, including its reserving techniques, through the engagement of an external actuarial firm. Since the reserves are based on estimates, the ultimate liability may be more or less than such reserves. The effects of changes in such estimated reserves are included in the results of operations in the period in which the estimates are changed. Such changes in estimates could occur in a future period and may be material to the Community's results of operations and financial position in such period. Accrued insurance reserves were \$11 (\$2 in accrued expenses and \$9 in other long term liabilities) as of December 31, 2020.

#### 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, or other state programs, 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 Community 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 Community's participation in the Medicare programs, the Community is subject to various government reviews, audits and investigations to verify the Community's compliance with these programs and applicable laws and regulations. Centers for Medicare and Medicaid Services ("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 Community'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 Community'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 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.

#### Health Care 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 U.S. health care system. To help fund this expansion, the Affordable Care Act outlines certain reductions in Medicare reimbursements for various health care providers, including skilled nursing facilities, 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

## SH Northridge CA OpCo, LLC Notes to Financial Statements December 31, 2020 (dollars in thousands except as where otherwise stated)

the Affordable Care Act due to the complexity of the law and implementing regulations, as well as the Community'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 Community 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 Community's business. Similarly, while the Community can anticipate that some of the rulemaking that will be promulgated by regulatory authorities will affect the Community's business and the manner in which the Community is reimbursed by the federal health care programs, the Community cannot accurately predict today the impact of those regulations on the Community'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 Community to expanded liability or require the Community 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 Community's costs to provide health care benefits to its employees. The Community 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 Community's results of operations and cash flow.

CONTINUING CARE RESERVE REPORT PART 5





#### INDEPENDENT AUDITORS' REPORT

SH Northridge CA OpCo, LLC, HCP S-H LCS OpCo, LLC:

We have audited the accompanying continuing care reserve report Forms 5-1 through 5-5 (the "Reports") of SH Northridge CA OpCo, LLC, HCP S-H LCS OpCo, LLC (the "Company"), as of December 31, 2020. 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, 2020, 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.

## LBMC, PC

Brentwood, Tennessee April 28, 2021

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

			(Including Balloon L	(ebt)	
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			2		
3					
4					
5					
6					
7					
8					
		TOTAL:	\$0.00	\$0.00	\$0.00
		L		1	(Transfer this amount to

Form 5-3, Line 1)

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

PROVIDER: SH NORTHRIDGE CA OPCO, LLC, HCP S-H LCS OPCO, LLC

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

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

_]	Line	TOTAL	
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)	\$	 1,896,000
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$	1,896,000

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

PROVIDER: SH NORTHRIDGE CA OPCO, LLC, HCP S-H LCS OPCO, LLC

Line		Amounts	 TOTAL
1 Total operating expenses from financial statements			\$ 14,561,000
2 Deductions			
a Interest paid on long-term debt (see instructions)	\$	-	
b Credit enhancement premiums paid for long-term debt (see instructions)	\$		
c Depreciation	\$	-	
d Amortization	\$	-	
e Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$	4,314,000	
f Extraordinary expenses approved by the Department	\$	1,896,000	
3 Total Deductions			\$ 6,210,000
4 Net Operating Expenses			\$ 8,351,000
5 Divide Line 4 by 365 and enter the result.			\$ 22,879
6 Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve			\$ 1,716,000
<b>PROVIDER: SH NORTHRIDGE CA OPCO, LLC, HCP S-H LCS OPCO, L</b>	LC		

## FORM 5-4 CALCULATION OF NET OPERATING EXPENSES

COMMUNITY: Brookdale Northridge

#### SH NORTHRIDGE CA OPCO, LLC, HCP S-H LCS OPCO, LLC FORM 5-4 CALCULATION OF NET OPERATING EXPENSES RECONCILIATION OF LINE 1 Reconciliation of Operating Expenses from the Statement of Operations to Form 5-4 (line 1)

Total Expense from 12.1.20 (Inception) to 12.31.20 (year end) (from audit report)	\$	1,203,000 13,358,000
Budgeted expense for period of 1.1.21 to 11.30.21 Total Expense	\$	14,561,000
SH NORTHRIDGE CA OPCO, LLC, HCP S-H LCS OPCO, LLC		
FORM 5-4 CALCULATION OF NET OPERATING EXPENSES RECONCILIATION OF LINE 2E		
Reconciliation of Revenue from the Statement of Cash Flows to Form 5-4 (line 2e)		
Total Resident Revenue from 12.1.20 (Inception) to 12.31.20 (year end), per Income Statement (from audit report)	\$	908,000
Budgeted revenue for period of 1.1.21 to 11.30.21		11,235,000
Less: Accounts Receivable at 12/31/20 (pull from audit report)		(403,000)
Plus: Accounts Receivable at 12/1/20 (date of inception)		-
Total Resident Revenue, cash basis	\$	11,740,000
not have a continuing care contract based (direct admittance into the SNF). Total Resident Revenue, cash basis Less: Revenues received from residents with continuing care contracts Revenues received from continuing care services (total skilled revenue)	\$ \$	11,740,000 5,269,000 6,471,000
Non-Continuing Care resident population	-	66.67%
Revenues received during the fiscal year for services to persons who did not		
have a continuing care contract (Line 2E)	\$	4,314,000
SH NORTHRIDGE CA OPCO, LLC, HCP S-H LCS OPCO, LLC FORM 5-4 CALCULATION OF NET OPERATING EXPENSES RECONCILIATION OF LINE 2F Reconciliation of Operating Expenses from the Statement of Operations to Form 5-4 (line 2f)		
Total Facility Lease Expense from 12.1.20 (Inception) to 12.31.20 (year end) (from audit report) Facility lease expense for period of 1.1.21 to 11.30.21 Total Facility Lease Expense	\$	158,000 1,738,000 1,896,000

#### FORM 5-5 ANNUAL RESERVE CERTIFICATION

Provider Name: <u>SH NORTHRIDGE CA OPCO, LLC, HCP S-H LCS OPCO, LLC</u> Fiscal Year Ended: <u>December 31, 2020</u>

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended <u>12/31/20</u> and are in compliance with those requirements.

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

		Amount			
1] Debt Service Reserve Amount	\$	1,896,000			
[2] Operating Expense Reserve Amount	\$	1,716,000			
[3] Total Liquid Reserve Amount:	\$	3,612,000			
[5] 10tal Liquid Reserve Amount.	Ľ				

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

Amount (market value at end of quarter)

Qual	Ifying Asset Description	Debt :	Service Reserve	Oper	rating Reserve
[4]	Cash and Cash Equivalents	\$	1,896,000	\$	2,762,000
[5]	Investment Securities				100-00-00
[6]	Equity Securities	-			
[7]	Unused/Available Lines of Credit	-			
[8]	Unused/Available Letters of Credit				
[9]	Debt Service Reserve	-		(not	applicable)
[10]	Other:				
(dec	cribe qualifying asset)				
Cash	reserve account held at bank at 12/31/2020. See attached statement.				

Total Amount of Qualifying Assets Listed for Liquid Reserve: Total Amount Required: Surplus/(Deficiency):

Signature:

Vice President & Corporate Secretary

Date: 4/30/21

1,896,000 [12] \$

1,896,000 [14] \$

[16] \$

2,762,000

1,716,000

1,046,000

[11] \$

[13] \$ [15] \$

(Title)

### FORM 7-1 REPORT ON CCRC MONTHLY CARE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Care Fees at beginning of reporting period:			
	(indicate range, if applicable)		\$4,674	\$10,953
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)		0.00%	0.00%
	applicable)		0.00 /0	0.00 //

□ Check here if monthly care 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: 1/1/20
   (If more than one (1) increase was implemented, indicate the dates for each increase.)
- [4] Check each of the appropriate boxes:
  - Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
  - All affected residents were given written notice of this fee increase at least 30 days prior to its implementation. Date of Notice: 10/21/20
     Method of Notice: Letter
  - At least 30 days prior to the increase in fees, the designated representative of the provider convened a meeting that all residents were invited to attend. Date of Meeting: 10/29/20
  - 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:** 10/14/20
  - The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting. Date of Posting: 10/14/20 Location of Posting: Resident bulletin board
- [5] On an attached page, provide a concise explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code. See <u>PART 7 REPORT ON</u> <u>CCRC MONTHLY CARE FEE</u> in the Annual Report Instruction booklet for further instructions.

 PROVIDER:
 SH NORTHRIDGE CA OPCO, LLC and HCP S-H LCS OPCO, LLC

 COMMUNITY:
 Brookdale Northridge

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

Line	Fiscal Years	2018	2019	2020
	1 F/Y 2018 Operating Expenses1	\$0		
	2 F/Y 2019 Operating Expenses2 (Adjustments if any, Explained Below)		\$0	
	3 Projected F/Y 2020 Results of Operations (Adjustments3 Explained Below)			\$0
	4 F/Y 2020 Anticipated MCF Revenue2 Based on Current and Projected Occupancy and Other4 without a MCFI			\$1,328
	5 Projected F/Y 2020 (Net) Operating Results2 without a MCFI (Line 3 plus Line 4)			\$1,328
	6 Projected F/Y 2020 Anticipated Revenue Based on Current and Projected Occupancy and Other4 with MCFI 0%			\$1,328
	7 Grand Total - Projected FY 2020 Net Operating Activity After 0% MCFI (Line 3 plus Line 6)			\$1,328
	Monthly Care Fee Increase:			0.0%

Adjustments Explained:

Enter to the total operating expenses from the independent audit of the Statement of Operations. There is no PY

1 figure to present with a 12/1 inception date for the community.

Internal Accounting and Budget Records does not include entrance fees. There is no PY figure to present with a

2 12/1 inception date for the community.

3 "Adjustments" can include but not limited to reserves

4 "Other: can include but not limited to Contributions and Ancillary

## Continuing Care Retirement Community Disclosure Statement General Information

FACILITY NAME: Brookdale Northr	idge					
ADDRESS: 17650 Devonshire Stre	et, Northridge, (	CA		ZIP CODE: 91325	PHONE: (818) 88	
PROVIDER NAME: SH NORTHRID	GE CA OPCO, L	LC and HCP S-H L	FACILITY OPERATO	R: SH NORTHRIDGE CA OPC	CO, LLC and HCP S-H LCS OPCO, LLC	
RELATED FACILITIES:				<b>RELIGIOUS AFFILIATIO</b>	N: None	
YEAR # OF		GLE 🖾 MULTI-				PPING CTR: 1
OPENED: 2001 ACRES: 6	.08 STO	RY STORY	OTHER:		MILES TO	HOSPITAL: 4
* * * * * <del>* * * * *</del> * * * * * *	* * * * * * *	* * * * * * * * *	* * * * * * * * *	* * * * * * * * * * *	* * * * * * * * *	* * * * * * * * * * *
NUMBER OF UNITS:	<b>RESIDENTI</b>	<u>AL LIVING</u>		HEALTH CAI		
APART	AENTS — STUDIO	: 0		ASSISTED LIVING: 90 b	peds	
APARTA	AENTS — 1 BDRN	: 0		SKILLED NURSING: 45 b	peds	
APARTA	AENTS — 2 BDRN	: 0		SPECIAL CARE: 25 b	peds	
CO	TTAGES/HOUSES	i: 0	DESCI	RIPTION: > Dementia C	are	
RLU OCCUPANCY (			>	-		
* * * * * * * * * * * * * * * *	* * * * * * *	* * * * * * * *	* * * * * * * * *	* * * * * * * * * * *	* * * * * * * * *	* * * * * * * * * * *
TYPE OF OWNERSHIP:	NOT-FOR-PROFIT	🖾 FOR- PRO	FIT ACCRED	ITED?: 🗆 YES 🖾 NO	BY:	
	ONTINUING CAI		LIFE CARE	ENTRANCE FEE	G FEE FO	R SERVICE
	ASSIGNMENT OF		EQUITY			
1						
<b>REFUND PROVISIONS:</b> (Check d	ll that apply)	□90% □75%	□50% □F	ULLY AMORTIZED 🗆 O	THER:	
RANGE OF ENTRANCE FEES: \$	0	- \$_0		LONG-TERM CARE I	NSURANCE REQUI	RED? 🗆 YES 📾 NO
HEALTH CARE BENEFITS INCLU	JDED IN CON	TRACT: None				
ENTRY REQUIREMENTS: MIN.	AGE: <u>60</u>	PRIOR PROFESSI	ON: N/A	0	THER: N/A	
RESIDENT REPRESENTATIVE(S						
> A resident representative meets			rning body period	dically to discuss budget	ing and other residen	t matters.
* * * * * * * * * * * * * * * *	* * * * * * *			* * * * * * * * * * *	* * * * * * * * *	* * * * * * * * * * *
			ERVICES AND			
COMMON AREA AMENITIES	<u>AVAILABLE</u>	FEE FOR SERVICE		ES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	$\checkmark$	$\checkmark$		G ( TIMES/MONTH)		
BILLIARD ROOM				DAY)	$\checkmark$	
BOWLING GREEN			SPECIAL DIETS	AVAILABLE	$\checkmark$	
CARD ROOMS	$\checkmark$					
CHAPEL				GENCY RESPONSE	$\checkmark$	
COFFEE SHOP			ACTIVITIES PRO		$\checkmark$	
CRAFT ROOMS			ALL UTILITIES		$\checkmark$	
EXERCISE ROOM			APARTMENT M	AINTENANCE		$\checkmark$
GOLF COURSE ACCESS			CABLE TV		$\checkmark$	
LIBRARY	$\checkmark$		LINENS FURNIS	HED		
PUTTING GREEN			LINENS LAUND	ERED		
SHUFFLEBOARD			MEDICATION N	ANAGEMENT		$\checkmark$
SPA			NURSING/WELI	LNESS CLINIC		$\checkmark$
SWIMMING POOL-INDOOR			PERSONAL HO	ME CARE		$\checkmark$
SWIMMING POOL-OUTDOOR			TRANSPORTAT	ION-PERSONAL	$\checkmark$	
TENNIS COURT			TRANSPORTAT	ION-PREARRANGED	$\checkmark$	
WORKSHOP			OTHER			
OTHER						

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

## PROVIDER NAME: SH NORTHRIDGE CA OPCO, LLC and HCP S-H LCS OPCO, LLC

other ccrcs Brookdale Riverwalk	LOCATION (City, State) Bakersfield, CA	<u>PHONE (with area code)</u> (661) 587-0221
<u>MULTI-LEVEL RETIREMENT COMMUNITIES</u> N/A	LOCATION (City, State)	<u>PHONE (with area code)</u>
<u>Free-standing skilled nursing</u> N/A	LOCATION (City, State)	PHONE (with area code)
subsidized senior housing N/A	LOCATION (City, State)	<u>PHONE (with area code)</u>
<b>NOTE:</b> PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.		

Page 2 of 4

PROVIDER NAME: SH NORTHRIDGE CA OPCO, LLC and HCP S-H LCS OPCO, LLC

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		2017	2018	2019		2020
INCOME FROM ONGOING OPP OPERATING INCOME	RATIONS					
(Excluding amortization of entrand	e fee income)				908,000	)
LESS OPERATING EXPENSES						
(Excluding depreciation, amortizat	tion, and interest)				1,203,0	00
NET INCOME FROM OPERATIO					(295,00	0)
LESS INTEREST EXPENSE					<u>.</u>	
				2		
PLUS CONTRIBUTIONS					4,750,0	00
PLUS NON-OPERATING INCO (excluding extraordinary items)	NE (EXPENSES)					
NET INCOME (LOSS) BEFORE   FEES, DEPRECIATION AND AM					4,455,0	00
NET CASH FLOW FROM ENTRA	ANCE FEES					
(Total Deposits Less Refunds)						
DESCRIPTION OF SECURED D	* * * * * * * * * * * * * * FRT /ac of most recent fi	* * * * * * * * * * * * ccal vear end)	* * * * * * * * * * * *	* * * * * * * *	* * * * * * * * *	* * * * *
DESCRIPTION OF SECORED D	OUTSTANDING		DATE OF	DATE O	F AMOR	TIZATION
LENDER	BALANCE	RATE	ORIGINATION	MATURI	r <u>y</u> Pe	RIOD
	-					
	-					
			* * * * * * * * * * *		********	
FINANCIAL RATIOS (see next)	page for ratio formulas)					
	2017 CCAC Medi					
	50 <sup>th</sup> Percentil <i>(optional)</i>		018	2019	2	020
DEBT TO ASSET RATIO				2017		020
OPERATING RATIO		-			1.32	
DEBT SERVICE COVERAGE RA						
DAYS CASH ON HAND RATIO						
* * * * * * * * * * * * * * *	* * * * * * * * * * *	* * * * * * * * * *	* * * * * * * * * * *	* * * * * * * *	* * * * * * * *	* * * * * *
HISTORICAL MONTHLY SERV						0/
CTUDIO	2017 %	2018	% 2019	%	2020	%
STUDIO ONE BEDROOM						
TWO BEDROOM						
COTTAGE/HOUSE						
ASSISTED LIVING				4	,674	0%
SKILLED NURSING					0,953	0%
					,713	0%
SPECIAL CARE					,713	0 /0
* * * * * * * * * * * * * * *	* * * * * * * * * * *	* * * * * * * * * *	* * * * * * * * * *	* * * * * * * *	* * * * * * * *	* * * * *
COMMENTS FROM PROVIDE	R: >					
>	-					
>						

## FINANCIAL RATIO FORMULAS

### LONG-TERM DEBT TO TOTAL ASSETS RATIO

Long-Term Debt, less Current Portion Total Assets

### **OPERATING RATIO**

**Total Operating Expenses** 

Depreciation Expense

- Amortization Expense

Total Operating Revenues — Amortization of Deferred Revenue

### **DEBT SERVICE COVERAGE RATIO**

Total Excess of Revenues over Expenses + Interest, Depreciation, and Amortization Expenses Amortization of-Deferred Revenue + Net Proceeds from Entrance Fees Annual Debt Service

### DAYS CASH ON HAND RATIO

Unrestricted Current Cash & Investments + Unrestricted Non-Current Cash & Investments

(Operating Expenses — Depreciation — Amortization)/365

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

Vice President & Corporate Secretary

## KEY INDICATORS REPORT Brookdale Northridge

signature required

Please attach an explanatory memo that summarizes significant trends or variances in the key						Projected		Forec	ast		
operational indicators.											Preferred Trend
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Indicator
OPERATIONAL STATISTICS 1. Average Annual Occupancy by Site (%)	0.0%	0.0%	0.0%	0.0%	61.0%	67.2%	67.2%	67.2%	67.2%	67.2%	N/A
MARGIN (PROFITABILITY) INDICATORS 2. Net Operating Margin (%)	0.0%	0.0%	0.0%	0.0%	-32%	9%	9%	9%	9%	9%	N/A
3. Net Operating Margin-Adjusted (%)	NA1	NA1	NA1	NA1	NA1	NAI	NA1	NA1	NA1	NAI	N/A
LIQUIDITY INDICATORS 4. Unrestricted Cash and Investments (S000)	\$0	so	\$0	<b>S</b> 0	\$1,156	\$1,156	\$1,156	\$1,156	\$1,156	\$1,156	N/A
5. Days Cash on Hand (Unrestricted)	\$0	\$0	\$0	\$0	29.79	36.96	36.96	36.96	36.96	36.96	N/A
CAPITAL STRUCTURE INDICATORS 6. Deferred Revenue from Entrance Fees (\$000)	NA1	NA1	NA1	NA1	NA1	NA1	NA1	NA1	NA1	NA1	N/A
7. Net Annual E/F proceeds (\$000)	NA1	NAI	NA1	NA1	NAI	NA1	NA1	NA1	NA1	NA1	N/A
8. Unrestricted Net Assets (\$000)	\$0	<b>S</b> 0	\$0	\$0	\$978	\$978	\$978	\$978	\$978	\$978	N/A
9. Annual Capital Asset Expenditure (\$000)	<b>S</b> 0	\$0	\$0	\$0	\$6	\$117	\$117	\$117	\$117	\$117	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	NA2	NA2	NA2	NA2	NA2	NA2	NA2	NA2	NA2	NA2	N/A
11. Annual Debt Service Coverage (x)	NA2	NA2	NA2	NA2	NA2	NA2	NA2	NA2	NA2	NA2	N/A
12. Annual Debt Service/Revenue (%)	NA2	NA2	NA2	NA2	NA2	NA2	NA2	NA2	NA2	NA2	N/A
13. Average Annual Effective Interest Rate (%)	NA2	NA2	NA2	NA2	NA2	NA2	NA2	NA2	NA2	NA2	N/A
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	NA2	NA2	NA2	NA2	NA2	NA2	NA2	NA2	NA2	NA2	N/A
15. Average Age of Facility (years)	NA3	NA3	NA3	NA3	NA3	NA3	NA3	NA3	NA3	NA3	N/A

Community does not charge Entrance Fees. The community does not hold any debt. NA1

NA2