

**BRE Knight SH CA Owner LLC and  
BRE-BKD Knight LLC  
Serento Casa**

**STATE OF CALIFORNIA DEPARTMENT OF SOCIAL SERVICES**

**ANNUAL REPORT**

**CONTINUING CARE LICENSING DIVISION  
AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2021**



**HANSEN HUNTER & CO. P.C.**  
*Certified Public Accountants*

## ANNUAL REPORT CHECKLIST

**FISCAL YEAR ENDED:**  
**12/31/2021**

**PROVIDER(S):** BRE KNIGHT SH CA OWNER LLC AND BRE-BKD KNIGHT LLC

**CCRC(S):** SERENTO CASA

**CONTACT PERSON:** THILO BEST

**TELEPHONE NO.:** (813) 327-4338 **EMAIL:** THILO.BEST@LONGVIEWSENIORHOUSING.COM



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

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$ 6,565
- If applicable, late fee in the amount of: \$ \_\_\_\_\_
- Certification by the provider's **Chief Executive Officer (or Authorized Representative)** that:
  - The reports are correct to the best of his/her knowledge.
  - Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- "Continuing Care Retirement Community Disclosure Statement" for **each** community.
- Form 7-1, "Report on CCRC Monthly Service Fees" for **each** community.
- Form 9-1, "Calculation of Refund Reserve Amount", *if applicable*.
- Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the Provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

**PART 1**  
**ANNUAL PROVIDER FEES**

**FORM 1-1  
RESIDENT POPULATION**

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	58
[2]	Number at end of fiscal year	35
[3]	Total Lines 1 and 2	93
[4]	Multiply Line 3 by ".50" and enter result on Line 5	x.50
[5]	Mean number of continuing care residents	46.5
<b>All Residents</b>		
[6]	Number at beginning fiscal year	75
[7]	Number at end of fiscal year	73
[8]	Total Lines 6 and 7	148
[9]	Multiply Line 8 by ".50" and enter result on Line 10	x.50
[10]	Mean number of <i>all</i> residents	74
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	62.84%

**FORM 1-2  
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service – interest only)	\$12,019,238
[a]	Depreciation	(951,564)
[b]	Debt Service (Interest Only)	(620,791)
[2]	Subtotal (add Line 1a and 1b)	\$1,572,355
[3]	Subtract Line 2 from Line 1 and enter result	\$10,446,883
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	62.84%
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	\$6,564,821
[6]	<b>Total Amount Due</b> (multiply Line 5 by .001)	x .001 \$6,565

**PROVIDER:** BRE KNIGHT SH CA OWNER LLC AND BRE-BKD KNIGHT LLC  
**COMMUNITY:** SERENTO CASA

**PART 2**  
**CERTIFICATION BY AUTHORIZED REPRESENTATIVE**



1505 S. Howard Avenue  
Tampa, FL 33606

phone 813.327.4338  
www.Longviewseniorhousing.com

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

This Certification Notice is submitted by BRE Knight SH CA Owner LLC and BRE-BKD Knight LLC on behalf of Serento Casa; to The State of California, Community Care Licensing Division, Continuing Care Contracts Branch, pursuant to the requirements of the Continuing Care Contract Annual Reserve Report, for the year ended December 31 2021. Our Certificate of Authority is #345.

To the best of my knowledge, after a review of the enclosed information I certify the following to be true, complete and correct:

1. The Annual Report is correct to the best of my knowledge.
2. Each continuing care contract form in use or offered for new residents has been approved by the Department.
3. The required liquid reserves are being maintained.

Authorized Representative

DocuSigned by:

*Thilo Best*

9E6B50B8BFG840E...

Name: Thilo Best

Title: Authorized Representative, BRE Knight SH CA Owner LLC and BRE-BKD Knight LLC

7/28/2022

\_\_\_\_\_  
Date

**PART 3**  
**EVIDENCE OF FIDELITY BOND**



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

10/1/2021

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> CAC Specialty 250 Filmore, Suite 450 Denver, CO 80206  www.cacspecialty.com	<b>CONTACT NAME:</b> CAC Specialty <b>PHONE (A/C. No. Ext):</b> 205.414.8100 <b>FAX (A/C. No):</b> 205.414.8105 <b>E-MAIL ADDRESS:</b> lisa.woodson@cacspecialty.com
	<b>INSURER(S) AFFORDING COVERAGE</b> INSURER A: Federal Insurance Company INSURER B: INSURER C: INSURER D: INSURER E: INSURER F:
<b>INSURED</b> BRE Knight SH CA Owner, LLC 1505 S Howard Ave Tampa FL 33606	<b>NAIC #</b> 20281

**COVERAGES**

CERTIFICATE NUMBER: 64347288

REVISION NUMBER:

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	<b>COMMERCIAL GENERAL LIABILITY</b> <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:						EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$
	<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	<b>UMBRELLA LIAB</b> <input type="checkbox"/> OCCUR <b>EXCESS LIAB</b> <input type="checkbox"/> CLAIMS-MADE DED <input type="checkbox"/> RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> Y/N <input checked="" type="checkbox"/> N/A (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below						PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	Primary Crime			8262-3737	9/28/2021	9/28/2022	Limit \$500,000; Retention \$50,000

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

California Department of Social Services is an additional interest.

**CERTIFICATE HOLDER**
California Department of Social Services  
744 P Street  
Sacramento CA 95814
**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

Lisa Woodson

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ACORD 25 (2016/03)

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**PART 4(a)**  
**EXECUTIVE SUMMARY AND INTERNAL**  
**CERTIFIED FINANCIALS**

## **SERENTO CASA EXECUTIVE SUMMARY**

Attached are audited financials for BRE Knight SH CA Owner LLC (“CA Owner”) owner of the real property underlying three senior living communities in California, including the continuing care retirement community known as Serento Casa, the (“Community”), and two other communities, Serento Rosa and Blossom Vale, (collectively, “the Group”). On the Community’s campus is a residential care facility for the elderly (“RCFE”) as well as a skilled nursing facility (“SNF”).

CA Owner and BRE-BKD Knight LLC (“Knight”), CA Owner’s parent, hold a provisional certificate of authority (“COA”) authorizing them to issue continuing care contracts at the Community. In addition to holding the COA, CA Owner is the licensed operator of the RCFE at the Community. Generations-CA LLC (“Generations”) is the approved manager of the RCFE.

An affiliate of Generations, GenSanDimas LLC (“GenSanDimas”) is the licensed operator of the SNF and is the tenant of the space occupied by the SNF under a lease with CA Owner as the landlord. Generations is the approved manager of the SNF. GenSanDimas pays the net operating income of the SNF to CA Owner as rent under the lease.

For CA Owner, the audited financials consolidate results of operations for each of the three communities in the Group, Serento Casa, Serento Rosa as well as Blossom Vale. Serento Rosa is another CCRC, in which CA Owner and Knight hold a provisional COA, CA Owner holds the RCFE license and an affiliate of Generations, GenYorbaLinda LLC holds the SNF license. Generations is the manager of each of the components of Serento Casa. Similar to Serento Casa, the net operating income of the SNF is paid to CA Owner as rent under a lease from CA Owner, as landlord, to GenYorbaLinda LLC, as tenant. CA Owner holds the RCFE license for Blossom Vale which is managed by an entity unrelated to Generations.

In addition to the audited financial statements for the Community, we have also included certified financial statements for Knight, because Knight is on the provisional COA solely to provide further financial support for the continuing care commitments of the CCRC. Knight is the real estate owner of senior living communities located throughout the United States and holds ample cash reserves. We have provided certified financial statements for Knight to evidence its financial wherewithal. In addition to providing liquid reserves in excess of the required reserve, Knight pays debt service of the Community to the extent that the net operating income of CA Owner may be insufficient to pay such debt service. In this manner, Knight provides financial support for the Community.

## **ADDITIONAL INCLUDED STATEMENTS**

### **Consolidated statements for BRE-BKD Knight LLC and subsidiaries (certified)**

(BRE Knight SH CA Owner LLC consolidated as subsidiary)

Balance Sheet ending 12/31/2021

Income Statement year ending 12/31/2021

Statement of Cash Flows year ending 12/31/2021

# REVANTAGE

CORPORATE SERVICES

**BRE-BKD Knight, LLC**  
**Balance Sheet**  
**December 31, 2021**  
*(Unaudited)*

	<b>BRE-BKD Knight, LLC</b>
	<b>For the Period ending December 31, 2021</b>
<b>ASSETS</b>	
Cash - Control	3,598,337
Cash	9,300,184
Petty Cash	27,568
<b>Cash and cash equivalents</b>	<b>12,926,089</b>
Deposits	510,047
Cash Security Deposits	394
Loan Escrow	195,628
Property Tax Escrow	758,980
Insurance Escrows	10,484
Capital Reserve Escrows	2,451,048
<b>Cash and escrow deposits - restricted</b>	<b>3,926,583</b>
Accounts Receivable	11,363,545
Reserve for Bad Debt-AR	(2,805,820)
<b>Accounts receivable - net of allowance for doubtful accounts</b>	<b>8,557,724</b>
Land	89,019,409
Building	638,798,083
Vacant Land	1
Land Improvements - Non Recurring	316,672
Building Improvements - Non Recurring	6,974
Routine Building Improvements	82,695,453
Routine Land Improvements	6,731,151
Leasehold Improvements	542,428
Routine FFE	54,918,549
Renovation FFE	149,169
UTO FFE	10,483,761
UTO Building Improvements	6,382,160
Accumulated Depreciation	(134,944,597)
Capitalized Acquisition Costs	-
CIP Building Improvements	17,276,202
<b>Property and equipment - net of accumulated depreciation</b>	<b>772,375,414</b>
Lease In Place	90,231,488
Accumulated Amortization	(90,231,488)
Leasehold Interest	-
<b>Intangible assets</b>	<b>(0)</b>
Supply Inventory	88,373
Prepaid Expenses	2,481,422
Insured Losses	789,010
Other Receivables	3,087,737
Deferred Move In Expense	-
Other Assets	839,071
<b>Prepaid Expenses and other assets</b>	<b>7,285,613</b>
Interest Rate Cap	74,578
<b>Investment in Properties Total</b>	<b>74,578</b>
Due From Related Party à (Acctng External)	7,978,122
<b>Due to Affiliates</b>	<b>7,978,122</b>
<b>TOTAL ASSETS</b>	<b>813,124,122</b>

**BRE-BKD Knight, LLC**  
**Balance Sheet**  
**December 31, 2021**  
*(Unaudited)*

**BRE-BKD Knight, LLC (cont)**

For the Period ending  
December 31, 2021

**LIABILITIES AND MEMBERS' EQUITY**

**Liabilities:**

Security Deposits - System	291,480
<b>Customer Deposits</b>	<b>291,480</b>
Accounts Payable - Manual	10,218,346
Accounts Payable Supplier Invoices	164,597
Accrued Expenses	3,283,587
Accrued Interest Payable	16,310,814
Sales Tax Payable	774
Deferred Community Fees	66,942
Accrued Payroll	1,313,003
Accrued RET	4,058,115
Income Tax Payable	72,043
Accrued Management Fees	3,129
<b>Accounts payable and accrued expenses</b>	<b>35,491,350</b>
Unearned Revenue	862,338
<b>Unearned Revenue</b>	<b>862,338</b>
Due To Prior Owner	(822,654)
<b>Due to Affiliates</b>	<b>(822,654)</b>
Insurance Loss Reserve	3,565,229
Escheatment Liability	47,672
Other Liabilities	226,140
Distributions Payable	-
<b>Other Liabilities - net</b>	<b>3,839,041</b>
1st Mortgage Payable	556,677,000
Loan Costs	(4,900,631)
Accumulated Amortization Loan Costs	2,430,014
<b>Notes payable - net</b>	<b>554,206,383</b>
<b>TOTAL LIABILITIES</b>	<b>593,867,937</b>
<b><u>MEMBERS' EQUITY</u></b>	
Partners Capital GP Contribution	1,500,000
Partners Capital GP Distribution	(2,018,561.18)
Contributed Capital	579,850,000
Contributed Capital Distributions	(30,565,758)
Prior Year Retained Earnings	(247,017,045)
ALL:Income Statement	(82,492,450)
<b>Total Members' Equity</b>	<b>219,256,186</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>813,124,122</b>



**BRE-BKD Knight LLC and Subsidiaries**  
**TTM Income Statement**  
**December 31, 2021**  
*(Unaudited)*

**BRE-BKD Knight LLC**

**Trailing Twelve Months**  
**December 2021**

**RESIDENT REVENUE:**

Independent Living	39,883,277.32
Assisted Living	103,427,435.09
Memory Care	42,001,645.95
Affordable	180.00
Skilled Nursing	25,944,834.60
Miscellaneous	579,443.84
<b>Total Resident Revenue</b>	<b>211,836,816.80</b>

**OPERATING EXPENSES:**

Assisted Living	30,353,032.62
Memory Care	12,920,528.54
Skilled Nursing	17,832,983.19
Dietary and Dining Services	29,193,672.50
Marketing	11,712,910.77
Housekeeping	5,631,342.35
Maintenance and Engineering	11,490,677.34
Transportation	539,871.75
Activities	5,401,313.38
Social Services	265,042.92
Home Health	145,360.49
Medical Records	185,713.99
Other Misc. Labor	6,898,943.24
Administration	40,050,634.56
<b>Total Operating Expense</b>	<b>172,622,027.64</b>

**UNCONTROLLABLE EXPENSES:**

Insurance	10,560,235.96
Real Estate and Other Taxes	9,110,667.12
Utilities	9,576,589.30
<b>Total Uncontrollable Expense</b>	<b>29,247,492.38</b>

**Total Expenses**

**201,869,520.02**

**Net Operating Income (LOSS)**

**9,967,296.78**

Total Management Fees

10,969,942.12

**NET OPERATING INCOME (LOSS) AFTER MGMT FEE**

**(1,002,645.34)**

**BRE-BKD Knight LLC and Subsidiaries**  
**TTM Income Statement**  
**December 31, 2021**  
*(Unaudited)*

**BRE-BKD Knight LLC (cont)**

	Trailing Twelve Months December 2021
Amortization	710,272.91
Audit Fees	(35,000.00)
Bank Charges	14,748.43
Casualty Loss	500.00
Consulting Fees	(182,469.13)
Corporate Entity Maintenance	7,653.00
Debt Service Expense	13,831,706.40
Depreciation	38,872,214.34
Disaster Expense	2,094,632.44
Disaster Expense - COVID	3,560,904.56
Entry Fee Amortization	113,251.13
Franchise / Filing Fees - Current Yr	(5,694.70)
Franchise / Filing Fees - Prior Yr	75.00
Franchise Taxes	76,221.17
Gain On Sale	(3,165,127.54)
Gain/Loss Property Damage	11,526.90
Ground Rent	279,999.96
Impairment	22,273,048.60
Income Taxes	65,000.13
Insurance Expense	48,435.12
Interest Expense - Other	11,763.93
Lease Income/Expense	(1,286.66)
Legal - Operational	658,034.27
Charitable Contributions	1,875.00
Non-Operating Expense (CASH)	516,412.18
Professional Fees - Other	1,104,250.00
Professional Services	1,775,044.55
Realized Gain/Loss	(2,117,553.04)
State Income Tax Prior Yr	128,157.67
Taxes	19,435.73
Transaction Expenses	680,239.99
Transition Costs/Fees	203,753.45
Unrealized Gain/Loss	(62,221.30)
<b>Total Non-Operating Expenses</b>	<b>81,489,804.49</b>
<b>Net Income</b>	<b>(82,492,449.83)</b>

**BRE-BKD Knight, LLC**  
**Statement of Cash Flows**  
**For Period Ending December 31, 2021**  
**(Unaudited)**

<b>Operating Activities:</b>	
Net Income (loss)	(\$82,492,450)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	38,946,295
Amortization of deferred financing costs	605,010
Provision for doubtful accounts	3,734,039
Provision for value impairment	22,273,049
Gain on sale of real estate	(3,165,128)
Changes in operating assets and liabilities:	
Accounts receivable	(2,217,964)
Loss on derivative	62,221
Prepaid expenses and other assets	(1,711,125)
Deferred revenue	(247,485)
Accounts payable and accrued expenses	9,035,995
Customer deposits	(187,460)
Due to affiliates/managers	(4,292,794)
Other liabilities	398,292
<b>Net cash provided by operating activities</b>	<b>(19,259,503)</b>
<b>Investing Activities:</b>	
Change in escrow deposits and restricted cash	(1,702,045)
Payments made to enter into interest rate cap agreements	
Net proceeds from sale of real estate	27,160,084
Purchases of property and equipment	(32,865,124)
<b>Net cash used by investing activities</b>	<b>(7,407,085)</b>
<b>Financing Activities:</b>	
Contributions from members	48,500,000
Distributions to members	(27,115,758)
<b>Net cash used in financing activities</b>	<b>21,384,242</b>
Net increase in cash and cash equivalents	(5,282,346)
Cash and cash equivalents at the beginning of the period	18,208,435
<b>Cash and cash equivalents at the end of the period</b>	<b>12,926,089</b>

**PART 4(b)**  
**AUDITED FINANCIAL STATEMENTS**



**BRE KNIGHT SH CA OWNER LLC**

**INDEPENDENT AUDITOR'S REPORT**

**AND**

**SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**HH**

HANSEN HUNTER & CO. P.C.

*Certified Public Accountants*

## CONTENTS

	<u>Page</u>
<b>Independent Auditor's Report</b>	1
<b>Special Purpose Combined Financial Statements</b>	
Special Purpose Combined Balance Sheet	4
Special Purpose Combined Statement of Operations	6
Special Purpose Combined Statement of Changes in Members' Equity	7
Special Purpose Combined Statement of Cash Flows	8
Notes to Special Purpose Combined Financial Statements	11
<b>Supplementary Information</b>	
Special Purpose Combining Balance Sheet	23
Special Purpose Combining Statement of Operations	25
Special Purpose Combining Statement of Changes in Members' Equity	26
Special Purpose Combining Statement of Cash Flows	27



HANSEN HUNTER & CO. P.C.  
*Certified Public Accountants*

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## INDEPENDENT AUDITOR'S REPORT

To Members and management of  
BRE Knight SH CA Owner LLC

### **Opinion**

We have audited the accompanying special purpose combined financial statements of BRE Knight SH CA Owner LLC, comprised of Serento Casa and Serento Rosa, which are continuing care retirement communities (the "Communities") that each have an RCFE as well as a skilled nursing facility ("SNF") on their respective campuses, and Blossom Vale Senior Living, a retirement community owned by BRE Knight SH CA Owner LLC (Collectively, the "Group"). BRE Knight SH CA Owner LLC is licensed to operate the RCFE on the campus of each the Communities. GenSanDimas, LLC and GenYorbaLinda, LLC, tenants under operating leases with BRE Knight SH CA Owner LLC as landlord, are licensed to operate the skilled nursing facilities. The special purpose combined financial statements comprised of the special purpose combined balance sheet as of December 31, 2021, and the related special purpose combined statement of operations, changes in Members' equity and cash flows for the year then ended, and the related notes to the special purpose combined financial statements.

In our opinion, the special purpose combined financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Combined Financial Statements section of our report. We are required to be independent of the Group and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



HANSEN HUNTER & CO. P.C.  
*Certified Public Accountants*

## **Responsibilities of Management for the Special Purpose Combined Financial Statements**

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

In preparing the special purpose combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern within one year after the date that the special purpose combined financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Special Purpose Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the special purpose combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the special purpose combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the special purpose combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the special purpose combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control. Accordingly, no such opinion is expressed.



HANSEN HUNTER & CO. P.C.

*Certified Public Accountants*

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the special purpose combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for a reasonable period of time.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the special purpose combined financial statements as a whole. The supplementary information beginning on page 23 is presented for purposes of additional analysis and is not a required part of the special purpose combined financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the special purpose combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the special purpose combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special purpose combined financial statements or to the special purpose combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the special purpose combined financial statements as a whole.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Hansen Hunter & Co. P.C.*

July 28, 2022

**BRE KNIGHT SH CA OWNER LLC**

**SPECIAL PURPOSE COMBINED BALANCE SHEET**  
**December 31, 2021**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$	395,490
Accounts receivable, net SNF		1,559,217
Accounts receivable, net RCFE		16,301
Due from related parties		29,331,067
Prepaid expenses		316,446
Inventories		22,790
Interest rate cap		<u>7,660</u>

Total current assets 31,648,971

**Replacement reserves**

210,828

**Fixed assets**

Land and improvements		10,287,910
Buildings and improvements		62,643,473
Furniture and equipment		<u>4,930,384</u>
		77,861,767

Less: accumulated depreciation (11,417,708)  
66,444,059

Construction in progress 280,608

Net fixed assets 66,724,667

**Total assets** \$ 98,584,466

*The accompanying notes are an integral part of these special purpose combined financial statements.*

**BRE KNIGHT SH CA OWNER LLC**

**SPECIAL PURPOSE COMBINED BALANCE SHEET**

**December 31, 2021**

(Continued)

**LIABILITIES AND MEMBERS' EQUITY**

**Current liabilities**

Accounts payable	\$	1,751,052
Accrued personnel expenses		848,179
Deferred revenue		57,274
Accrued expenses		52,990
Resident refunds payable		108,865
Accrued interest		1,659,431
Capital lease payable, current portion		<u>29,384</u>

Total current liabilities 4,507,175

**Long term liabilities**

Capital lease payable, net of current portion		100,215
Mortgage payable, net		<u>56,939,763</u>

Total long term liabilities 57,039,978

**Total liabilities** 61,547,153

**Members' equity**

Members' equity		<u>37,037,313</u>
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**Total liabilities and Members' equity** \$ 98,584,466

*The accompanying notes are an integral part of these special purpose combined financial statements.*

**BRE KNIGHT SH CA OWNER LLC**

**SPECIAL PURPOSE COMBINED STATEMENT OF OPERATIONS**  
**For the Year Ended December 31, 2021**

**Revenues and other income**

Independent living	\$ 131,923
Assisted living	7,969,010
Skilling nursing	6,390,913
Memory care	2,555,650
Rehabilitation	1,245,186
Laboratory	252,370
Other income	83,770
Interest	156
Non-operating	200
	<hr/>
Total revenues	18,629,178

**Expenses**

Assisted living	3,574,002
Skilled nursing	6,368,345
Memory care	1,104,547
Rehabilitation	1,066,490
Vitality	303,187
Laboratory	259,613
Activities	106,533
Marketing	604,783
Administration	2,305,712
Dietary	2,527,040
Maintenance	792,944
Equipment rental	89,462
Housekeeping and laundry	672,087
Utilities	1,003,429
Equipment lease	22,687
Taxes and insurance	1,909,768
Interest	1,445,946
Depreciation	2,781,035
Amortization	55,607
Disaster	238,448
Transition	15,164
Bad debt	1,029,707
Gain (loss) on interest rate cap	(6,391)
	<hr/>
Total expenses	28,270,145
	<hr/>
<b>Net income (loss)</b>	<b>\$ (9,640,967)</b>

*The accompanying notes are an integral part of these special purpose combined financial statements.*



**BRE KNIGHT SH CA OWNER LLC**

**SPECIAL PURPOSE COMBINED STATEMENT OF CHANGES IN MEMBERS'  
EQUITY**

Balance, January 1, 2021	\$	38,562,079
Net income (loss)		(9,640,967)
Distributions		(19,028)
Contributions		<u>8,135,229</u>
Balance, December 31, 2021	\$	<u><u>37,037,313</u></u>

*The accompanying notes are an integral part of these special purpose combined financial statements.*

**BRE KNIGHT SH CA OWNER LLC**

**SPECIAL PURPOSE COMBINED STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2021**

<b>Cash flows from operating activities</b>	
Cash received from residents	\$ 19,359,015
Other receipts	85,099
Interest expense paid	(702,630)
Cash paid to suppliers and employees	<u>(24,039,320)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(5,297,836)</u>
<b>Cash flows from investing activities</b>	
Purchase of fixed assets	<u>(1,873,682)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(1,873,682)</u>
<b>Cash flows from financing activities</b>	
Principal payments on capital lease	(27,685)
Contributions	8,135,229
Distributions	<u>(19,028)</u>
<b>Net cash provided by (used in) financing activities</b>	<u>8,088,516</u>
<b>Net change in cash, cash equivalents and restricted cash</b>	916,998
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	<u>(310,680)</u>
<b>Cash, cash equivalents and restricted cash, end of year</b>	<u><u>\$ 606,318</u></u>

*The accompanying notes are an integral part of these special purpose combined financial statements.*

**BRE KNIGHT SH CA OWNER LLC**

**SPECIAL PURPOSE COMBINED STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2021**  
(Continued)

**Reconciliations of net income (loss) to net cash  
provided by (used in) operating activities**

Net income (loss) \$ (9,640,967)

**Adjustments to reconcile net income (loss) to net  
cash provided by (used in) operating activities:**

Depreciation 2,781,035  
Amortization 55,607  
Bad debt 1,029,707  
Reallocation of mortgage payable with related parties 4,490,536  
(Gain) loss on interest rate cap (6,391)

**Decrease (increase) in:**

Accounts receivable, net SNF (28,473)  
Accounts receivable, net RCFE (16,301)  
Due from related parties (4,869,446)  
Prepaid expenses (185,256)  
Inventories 65,477

**Increase (decrease) in:**

Accounts payable 701,215  
Accrued personnel expenses 65,100  
Deferred revenue (21,271)  
Accrued expenses (341,518)  
Lease payable 175,393  
Resident refunds payable (149,699)  
Accrued interest 597,416

**Net cash provided by (used in) operating  
activities** \$ (5,297,836)

*The accompanying notes are an integral part of these special purpose combined financial statements.*

**BRE KNIGHT SH CA OWNER LLC**

**SPECIAL PURPOSE COMBINED STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2021**  
(Continued)

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the special purpose combined balance sheet that sum to the total of the same such amounts shown in the special purpose combined statement of cash flows:

	<b>December 31, 2021</b>
Cash and cash equivalents	\$ 395,490
Replacement reserves	<u>210,828</u>
Total cash, cash equivalents and restricted cash	<u><u>\$ 606,318</u></u>

Amounts included in replacement reserves represent those required to be set aside as disclosed in Note 2 to the special purpose combined financial statements.

**Supplemental disclosures for noncash financing activities**

Reallocation of mortgage payable with related parties \$ 4,490,536

*The accompanying notes are an integral part of these special purpose combined financial statements.*

## BRE KNIGHT SH CA OWNER LLC

### NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS December 31, 2021

#### NOTE 1 – Nature of Business

BRE Knight SH CA Owner LLC owns the real property comprising three senior living communities in California (collectively, “the Group”). For the year ended December 31, 2021, the communities consist of the following:

Serento Casa is a continuing care retirement community (“CCRC”) that has on its campus a RCFE as well as a skilled nursing facility (“SNF”) in San Dimas, California. BRE Knight SH CA Owner LLC and BRE-BKD Knight LLC hold a provisional certificate of authority, issued on September 1, 2020, authorizing them to issue continuing care contracts. BRE Knight SH CA Owner LLC is licensed to operate the RCFE on the campus of the community by CDSS on September 2, 2020. GenSanDimas, LLC is licensed to operate the SNF on the campus of the community by CDPH on September 1, 2020. Generations-CA, LLC is the manager approved to operate the RCFE as well as the SNF, respectively by CDSS and CDPH.

Serento Rosa is a continuing care retirement community that has on its campus a RCFE as well as a SNF in Yorba Linda, California. BRE Knight SH CA Owner LLC and BRE-BKD Knight LLC hold a provisional certificate of authority, issued on September 1, 2020, authorizing them to issue continuing care contracts. BRE Knight SH CA Owner LLC is licensed to operate the RCFE on the campus of the community by CDSS on September 2, 2020. GenYorbaLinda, LLC is licensed to operate the SNF on the campus of the community by CDPH on September 1, 2020. Generations-CA, LLC is the manager approved to operate the RCFE as well as the SNF, respectively by CDSS and CDPH.

Blossom Vale Senior Living is a residential care facility for the elderly (“RCFE”) located in Orangevale, California. BRE Knight SH CA Owner LLC is licensed to operate the RCFE by CDSS on September 2, 2020. CSL – Orangevale, LLC is the manager approved to operate the RCFE by CDSS.

BRE Knight SH CA Owner LLC, GenSanDimas, LLC and GenYorbaLinda, LLC are limited liability companies, therefore, the members are not liable to the companies for monetary damages for conduct as members, except to the extent that the California and Delaware Limited Liability Company Acts, as it now exists or may hereafter be amended, prohibits elimination or limitation of member liability. The companies shall exist in perpetuity, unless dissolved as provided for in the Operating Agreements.

#### NOTE 2 – Summary of Significant Accounting Policies

##### *Basis of presentation*

The statements are the special purpose combined financial statements of three related entities, BRE Knight SH CA Owner LLC, GenSanDimas, LLC and GenYorbaLinda, LLC. The special purpose combined financial statements have been prepared on the accrual basis of accounting principles generally accepted in the United States of America (U.S. GAAP). All intercompany accounts and transactions have been eliminated in combination.

**BRE KNIGHT SH CA OWNER LLC**

**NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**December 31, 2021**

(Continued)

**NOTE 2 – Summary of Significant Accounting Policies (continued)**

***Cash and cash equivalents***

Cash and cash equivalents include cash on hand and cash in checking accounts.

***Replacement reserves***

The Group is required to maintain a replacement reserve account with KeyBank, N.A. The monthly deposits, as determined by KeyBank, N.A., are made into this reserve account. The funds are being used for future building improvements and repairs after obtaining approval from KeyBank, N.A. As of December 31, 2021, the monthly required deposits into these escrows were \$13,125. The balance of the replacement reserve account was \$210,828.

***Receivables and allowance for uncollectible accounts***

Accounts receivable consists primarily of private and third-party payer resident receivables. The allowance for doubtful accounts at December 31, 2021 was \$740,253. Accounts receivable over 90-days old at December 31, 2021 was \$883,514. For the year ended December 31, 2021, bad debt expense totaled \$1,029,707. One private resident accounted for approximately 32% of the bad debt expense for the year ended December 31, 2021, as a result of issues with collection efforts under former management.

***Inventories***

Inventories are stated at the lower of cost (first-in, first-out) or net realizable value. Inventories consist primarily of food and supplies.

***Property and equipment***

Property and equipment are carried at cost less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred. Costs of additions and improvements are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets. Estimated useful lives used are as follows:

Land improvements	3 to 10 years
Buildings and improvements	5 to 40 years
Furniture and equipment	3 to 10 years

Total depreciation expense for the year ended December 31, 2021 was \$2,781,035.

Management reviews long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of the asset to the future cash flows expected to be generated by the asset. Management deems long lived assets to be impaired if the estimated future undiscounted cash flows are less than the carrying amount of the assets. Management has evaluated its long-lived assets and has not identified any impairment as of December 31, 2021.

**BRE KNIGHT SH CA OWNER LLC**

**NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**December 31, 2021**

(Continued)

**NOTE 2 – Summary of Significant Accounting Policies (continued)**

***Deferred revenue***

Deferred revenue represents cash received in advance for monthly service charges. These amounts are recorded as prepaid revenue when collected and recognized as revenue when performance obligations are met. There was deferred revenue in the amount of \$57,274 as of December 31, 2021.

***Debt issuance costs***

Debt issuance costs of \$445,282 are being amortized over the term of the related loan. Accumulated amortization of these costs was \$211,509 at December 31, 2021. These amounts are included as a reduction of the mortgage payable balance.

***Continuing care contracts***

The Communities were certified by the State of California Department of Social Services with a provisional certificate of authority to operate as a CCRC. Under the continuing care contract term, residents are charged monthly fees based on rates for basic services, continuing care charges and level of care fees.

***Resident revenue***

The Group's principal activities consist of operating assisted living and memory care facilities for the elderly. Serento Rosa and Serento Casa, by contract, also offer access to continuing care. GenSanDimas, LLC and GenYorbaLinda, LLC additionally offer access to skilled nursing services. Revenue is derived primarily from private pay, private and commercial insurance, and Medicare residents (at the SNF). The Group recognizes revenues as its performance obligations are completed.

Routine resident services are treated as a single performance obligation satisfied over time as services are rendered. These routine services represent a bundle of services that are not capable of being distinct. The performance obligations are satisfied over time as the resident simultaneously receives and consumes the benefits of the skilled nursing facility, assisted living services, and memory care services provided.

The Group determines the transaction price based on established billing rates reduced by contractual adjustments provided to third party payors. Contractual adjustments are based on contractual agreements and historical experience. The Group considers the resident's ability and intent to pay the amount of consideration upon admission. Subsequent changes resulting from a resident's ability to pay are recorded as bad debt expense.

**BRE KNIGHT SH CA OWNER LLC**

**NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**December 31, 2021**

(Continued)

**NOTE 2 – Summary of Significant Accounting Policies (continued)**

***Resident revenue (continued)***

As the performance obligations relate to contracts with a duration of one year or less, the Group has elected to apply the optional exemption provided in FASB ASC 606, and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Group has minimal unsatisfied performance obligations at the end of the reporting period as residents are typically under no obligation to remain at the facility or under the Group's care.

***Net patient service revenue***

The Group has agreements with third-party payors that provide for payments to the Group at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. For the year ended December 31, 2021, net resident revenues from Medicare were \$2,644,136. Upon audit by Medicare, there is a possibility of adjustment to costs reimbursed.

***Obligation to provide future services***

Annually, the Group calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. Deferred revenue from entrance fees as of December 31, 2021 was \$0. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to expense. For the year ended December 31, 2021, the calculation resulted in no future service liability. The discount rate used was 5%.

***Income taxes***

The Group consists of limited liability companies and are treated as partnerships for income tax purposes, and as such, is not taxed. Under Subchapter K of the Internal Revenue Code, members are taxed separately on their distributive share of the Group's income whether or not that income is actually distributed.

The Group follows the provisions of the Income Tax Topic of the FASB Accounting Standards Codification relating to unrecognized tax benefits. This standard requires an entity to recognize a liability for tax positions when there is a 50% or greater likelihood that the position will not be sustained upon examination. As such, there were no liabilities recorded for uncertain tax positions as of December 31, 2021.



**BRE KNIGHT SH CA OWNER LLC**

**NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**December 31, 2021**

(Continued)

**NOTE 2 – Summary of Significant Accounting Policies (continued)**

***Advertising costs***

Advertising and marketing costs are charged to expense as incurred. Advertising expenses for the year ended December 31, 2021, were \$178,425.

***Financial instruments***

The Group's financial instruments consist of accounts receivables, due from related parties, interest rate cap, accounts payable, accrued expenses, capital lease payables and a mortgage payable. It is management's opinion that the Group is not exposed to significant interest rate or credit risk arising from these instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

***Variable interest entities***

GAAP requires that a variable interest entity ("VIE"), defined as an entity subject to consolidation according to the provisions of the Accounting Standards Codification (ASC) Consolidation Topic, must be consolidated by the primary beneficiary. The primary beneficiary is the party that has both the power to direct activities of a VIE that most significantly affect the entity's economic performance and the obligation to absorb losses of the entity or the right to receive benefits from the entity that could both potentially be significant to the VIE. The Group performs ongoing qualitative analysis to determine if it is the primary beneficiary of a VIE.

On November 26, 2019, BRE Knight SH CA Owner LLC entered into lease agreements with GenSanDimas, LLC and GenYorbaLinda, LLC, which became effective September 1, 2020, for which it retains essentially all economic benefits and obligations related to the leased skilled nursing facilities as the primary beneficiary. This included two skilled nursing facilities in the state of California, from which the Group has the right to receive all net income, while retaining substantive participating rights. Based on the fact that the Group is the primary beneficiary, and has the obligation to absorb all losses, the leased skilled nursing facilities were included in our special purpose combined balance sheet and special purpose combined statement of operations as of and for the year ended December 31, 2021. Financial support to absorb all losses is provided as needed directly by BRE-BKD Knight LLC, the parent of BRE Knight SH CA Owner LLC.

See Note 6 for summarized financial information of the special purpose combined impact of the communities in the special purpose combined financial statements of the Group.

**BRE KNIGHT SH CA OWNER LLC**

**NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**December 31, 2021**

(Continued)

**NOTE 2 – Summary of Significant Accounting Policies** (continued)

***Upcoming accounting pronouncement***

In February 2016, the FASB established ASC Topic 842, Leases ("ASC 842") by issuing ASU 2016-02, Leases, which will require an entity to report a right-of-use asset and a liability for the obligation to make payments for all leases with the exception of those leases with a term of 12 months or less. ASC 842 has subsequently been amended by other issued ASUs to clarify and improve the standard as well as to provide certain practical expedients. The adoption is effective for the Group beginning January 1, 2022. The Group is currently evaluating the impact of adoption of the new standard on its special purpose combined financial statements.

**NOTE 3 – Estimates**

The preparation of special purpose combined financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the special purpose combined financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 4 – Mortgage Payable**

A summary of mortgage payable by BRE Knight SH CA Owner LLC (as allocated) as of December 31, 2021 is as follows:

	<u>Maturity</u>	<u>1-Month LIBOR (a)</u>	<u>Interest Rate Floor</u>	<u>Interest Rate</u>	<u>Balance</u>
Mortgage Payable:					
Senior Note – Serento Casa	4/27	0.10%	2.37%	2.47%	\$ 24,769,280
Senior Note – Serento Rosa	4/27	0.10%	2.37%	2.47%	23,703,935
Senior Note – Blossom Vale	4/27	0.10%	2.37%	2.47%	8,700,321
Total mortgage payable (b)					57,173,536
Deferred issuance costs – net of accumulated amortization of \$211,509					<u>(233,773)</u>
Mortgage payable - net					<u>\$ 56,939,763</u>

**BRE KNIGHT SH CA OWNER LLC**

**NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**December 31, 2021**

(Continued)

**NOTE 4 – Mortgage Payable** (continued)

- (a) At December 31, 2021, the 1-month LIBOR rate was .10125%.
- (b) The mortgage payable of \$57,173,536 is collateralized by the three communities within the Group. At December 31, 2021, the mortgage payable for the Group represents the allocated amount of a master credit facility in the amount of \$556,700,000 collateralized by 43 communities, which is reallocated from time to time at lender election. On January 29, 2021, the lender reallocated the mortgage payable allocated to the Group within the master credit facility with related parties, increasing the indebtedness of the Group by \$4,490,536.
- (c) Payments on the mortgage payable are due in monthly installments of interest only. On May 29, 2020, forbearance on the note was granted, extended on a monthly basis until January 31, 2021. On January 29, 2021, the agreement was modified to allow interest to be paid at a reduced rate of current one month LIBOR plus 85 basis points from February 2, 2021 until January 2023. Deferred interest shall be paid back in 24 equal installments during a catch up period from February 1, 2023 until January 31, 2025. Deferred and current interest owed by the Group at December 31, 2021 is \$1,659,432
- (d) BRE-BKD Knight LLC made all required payments, collecting amounts due from the Group to the extent cash was available. Uncollected payments are recorded in due from related parties on the special purpose combined balance sheet at December 31, 2021 are \$704,970.

Principal balances will commence at the end of the catch up period on February 1, 2025. During the catch up period, prepayments of principal are anticipated if any of the 43 communities are sold, so it is anticipated that the principal payments will be reset based on the unpaid principal balance on February 1, 2023.

The annual aggregate principal payments of mortgage payable obligations outstanding as of December 31, 2021 are as follows:

2022	\$	-
2023		-
2024		-
2025		944,405
2026		1,084,805
Thereafter		<u>55,144,326</u>
	\$	<u>57,173,536</u>

The terms of the mortgage payable required entry into an interest rate cap agreement, purchased on March 9, 2020, to manage interest rate risk associated with variable interest rates. Interest rate cap agreement caps the LIBOR rate at 3.36% per annum, expiring on April 1, 2023. The allocated value of the interest rate cap for the Group was \$7,660 at December 31, 2021.

Under the terms of the note the Group was required to escrow funds for immediate repairs, capital replacements, insurance proceeds, and future purchases of an interest rate cap. The balance of these escrow accounts was \$210,828 as of December 31, 2021.

**BRE KNIGHT SH CA OWNER LLC**

**NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**December 31, 2021**

(Continued)

**NOTE 4 – Mortgage Payable** (continued)

As of December 31, 2021, the Group is in compliance with the financial covenants of the outstanding mortgage payable.

**NOTE 5 – Capital Lease Obligations**

The Group leases office equipment under the terms of capital lease agreements. The assets and related obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are depreciated over their estimated useful lives. The assets consisted of the following as of December 31, 2021:

	<u>Total</u>
Office Equipment	\$ 170,476
Less: accumulated depreciation	<u>(71,032)</u>
	<u>\$ 99,444</u>

Depreciation expense reported in the statement of operations includes depreciation of the leased assets for Serento Casa and Serento Rosa in the amount of \$27,211 and \$29,614, respectively, for the year ended December 31, 2021.

The leases are payable to GreatAmerica Financial Services in monthly installments of \$3,533. Monthly installments include principal and interest, with interest rates between 8.75% and 9.10% until August 1, 2025. The leases are collateralized by the equipment financed. The Group has the option to purchase the office equipment for \$1 at the end of the lease terms.

The minimum future lease payments required under the capital lease agreements are as follows for the years ended December 31:

2022	\$ 42,393
2023	42,393
2024	42,393
2025	<u>24,729</u>
	151,908
Less: interest	<u>(22,309)</u>
	129,599
Less: current portion	<u>(29,384)</u>
	<u>\$ 100,215</u>

## **BRE KNIGHT SH CA OWNER LLC**

### **NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**December 31, 2021**

(Continued)

#### **NOTE 6 – Leases Commitments**

GenSanDimas, LLC and GenYorbaLinda, LLC lease the portion of the campuses used to provide skilled nursing services from BRE Knight SH CA Owner LLC. The leases are operating lease, with terms of 3 years expiring on August 31, 2023, with automatic one-year period extensions unless terminated by either party. The monthly rent is all net income/loss generated from the operations of the skilled nursing facilities for the prior calendar month. For the year ended December 31, 2021, lease revenue related to the operating leases were \$2,313,841 and \$885,743 for Serento Casa and Serento Rosa, respectively. For the year ended December 31, 2021, lease expense related to the operating leases was \$3,199,584 for BRE Knight SH CA Owner LLC. Lease revenue and lease expense related to this operating lease have been eliminated in combination.

#### **NOTE 7 – CARES Act Provider Relief Fund**

In response to COVID-19 pandemic, during the year ended December 31, 2021, the Group received \$40,477 in Provider Relief Funds from the U.S. Department of Health and Human Services (the “HHS”) via the CARES Act. The Group is to document lost revenue or increased expenses attributable to the pandemic. Repayment is not required unless the Group is not in compliance with the terms and conditions of the funds. The Group recognizes relief funds as other income once there is reasonable assurance that the applicable terms and conditions required to retain the funds have been met. For the year ended December 31, 2021, the Group recognized the full \$40,447 of relief funds and is included in other income in the accompanying special purpose combined statement of operations.

#### **NOTE 8 – Management Agreement**

GenSanDimas, LLC and GenYorbaLinda, LLC are managed under a management agreement with Generations-CA, LLC, a related party through common ownership, whereby Generations-CA, LLC, provides general management and administrative services. The fee for these services is 4% of the skilled nursing gross revenue and 5% of assisted living and memory care gross revenue. For the year ended December 31, 2021, \$339,407 and \$429,499 in management fees were incurred for GenSanDimas, LLC and GenYorbaLinda, LLC, respectively, and are included in the accompanying special purpose combined statement of operations. Accrued management fees at December 31, 2021 were \$68,461, included in due from related parties on the accompanying special purpose combined balance sheet.

Blossom Vale Senior Living is managed under a management agreement with CSL – Orangevale, LLC, an unrelated party, whereby CSL – Orangevale, LLC provides general management and administrative services. The fee for these services is 5% of gross revenue. For the year ended December 31, 2021, \$160,034 in management fees were incurred, and are included in the accompanying special purpose combined statement of operations.

## **BRE KNIGHT SH CA OWNER LLC**

### **NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**December 31, 2021**

(Continued)

#### **NOTE 9 – Related Party Transactions**

During the year ended December 31, 2021, there were certain routine expenses incurred on behalf of Serento Casa and Serento Rosa by Generations, a related party through common ownership. At December 31, 2021, the amount due to Generations-CA, LLC from Serento Casa and Serento Rosa were \$12,975 and \$10,561, respectively, included in the due from related parties, on the accompanying special purpose combined balance sheet.

At December 31, 2021, the net amount due from related parties in the amount of \$29,423,064 represents the net amounts due for initial contributions at acquisition from the parent, prior and current year mortgage payable reallocations, and amounts due for expenses incurred by related parties on behalf of the Group. During the year ended December 31, 2021, there was a reallocation of the mortgage payable with related entities under common ownership in the amount of \$4,490,536.

#### **NOTE 10 – Retirement Plan**

The Group maintains qualified 401(k) salary deferred plans (the Plans). The plans allow eligible employees to contribute a portion of their salary, not to exceed statutory limits. The Serento Casa and Serento Rosa plans provide for discretionary employer matching contributions of 4% of employee deferral contributions up to 100% of the employee's compensation. For the year ended December 31, 2021 employer matching contributions for Serento Casa and Serento Rosa were \$59,915 and \$66,911, respectively. The Blossom Vale Senior Living plan provides for discretionary employer matching contributions of 50% of employee deferral contributions up to 6% of the employee's compensation. For the year ended December 31, 2021, the employer matching contributions were \$16,354.

#### **NOTE 11 – Commitments and Contingencies**

The Group is subject to various claims for damages that arise in the normal course of business. All claims have been referred to the Group's insurance carrier and are in various stages of investigation and discovery. In the opinion of management, although the outcomes of these claims are uncertain, any losses that may occur would be covered by the Group's insurance company, and therefore, should not have a material impact on the Group's financial position or results of operations.

The healthcare industry in which the Group operates is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations relate to, among other things, matters such as licensure, accreditation, and government health care program participation requirements, regulations regarding reimbursement for patient services billing, fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of 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 fines and penalties, as well as significant repayments for patient services previously billed. Management is not aware of any actions or potential actions at December 31, 2021.

## BRE KNIGHT SH CA OWNER LLC

### NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS

December 31, 2021

(Continued)

#### NOTE 11 – Commitments and Contingencies (continued)

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts the Group's results is dependent on the breadth and duration of the pandemic and could be affected by other factors the Group is not currently able to predict. These impacts may include, but are not limited to, additional costs for responding to COVID-19, potential shortages of healthcare personnel, potential shortages of clinical supplies, loss of, or reduction to, revenue. Management believes the Group is taking appropriate actions to respond to the pandemic; however, the full impact is unknown and cannot be reasonably estimated at this time.

#### NOTE 12 – Current Vulnerability Due to Certain Concentrations

The Group's operations are concentrated in the retirement housing markets in San Dimas, Yorba Linda, and Orangevale, California. In addition, it provides care to residents under the Medicare program. The operations of the Group are subject to administrative directives, rules and regulations. Changes may occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden to comply with a change. The Group also grants credit to private patients on an unsecured basis.

GenSanDimas, LLC and GenYorbaLinda, LLC are certified as a Continuing Care Retirement Community (CCRC) by the State of California. California Health and Welfare Code section 1792 requires that a CCRC establish "liquid reserves" (undesignated cash and marketable securities) equal to the total of all principal and interest payments on long-term obligations paid during the fiscal year plus 75 days of its projected operating expenses. Based on the Group's debt payments for the year ended December 31, 2021, calculated on an annualized basis, and its projected operating expenses for the following fiscal year, GenSanDimas, LLC and GenYorbaLinda, LLC were required to have approximately \$3,615,256 in liquid reserves as of December 31, 2021. In our opinion, the liquid reserve calculation set forth in the immediately preceding sentence was determined consistently with the requirements of California Health and Welfare Code Section 1792. The required liquid reserves, maintained pursuant to Health and Safety Code section 1792, are held by BRE-BKD Knight LLC, a party that is on the provisional certificate of authority, solely to provide further financial support for the continuing care commitments of the CCRC.

The Group's operations are concentrated in the assisted living, and memory care markets, and provides access to skilled nursing services. The Group operates in a heavily regulated environment.

The Group manages deposit concentration risk by placing cash accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Group has not experienced losses in any of these accounts.

**BRE KNIGHT SH CA OWNER LLC**

**NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**December 31, 2021**

(Continued)

**NOTE 13 – Subsequent Events**

On June 2, 2022, the mortgage payable indebtedness was reduced by \$42,316, due to a sale of a related party through common ownership, within the master credit facility.

The Group did not have any other subsequent events through July 28, 2022, which is the date the special purpose combined financial statements were issued, requiring recording or disclosure in the special purpose combined financial statements for the year ended December 31, 2021.



## **SUPPLEMENTARY INFORMATION**

## BRE KNIGHT SH CA OWNER LLC

### SPECIAL PURPOSE COMBINING BALANCE SHEET December 31, 2021

#### ASSETS

	BRE Knight SH CA Owner - Serento Casa	Serento Casa - Managed by Generations	BRE Knight SH CA Owner - Serento Rosa	Serento Rosa - Managed by Generations	Blossom Vale Senior Living - Managed by Compass	BRE Knight SH CA Owner LLC	Combined
<b>Current assets</b>							
Cash and cash equivalents	\$ 1	\$ 229,052	\$ -	\$ 145,098	\$ 20,447	\$ 892	\$ 395,490
Accounts receivable, net SNF	-	752,362	-	769,694	37,161	-	1,559,217
Accounts receivable, net RCFE	-	13,401	-	2,900	-	-	16,301
Due from related parties	12,611,198	(391,489)	20,793,960	(248,324)	(3,434,278)	-	29,331,067
Prepaid expenses	-	163,780	-	121,596	31,070	-	316,446
Inventories	-	13,566	-	9,224	-	-	22,790
Interest rate cap	3,318	-	3,176	-	1,166	-	7,660
	<u>12,614,517</u>	<u>780,672</u>	<u>20,797,136</u>	<u>800,188</u>	<u>(3,344,434)</u>	<u>892</u>	<u>31,648,971</u>
<b>Total current assets</b>							
	<u>85,004</u>	<u>-</u>	<u>84,462</u>	<u>-</u>	<u>41,362</u>	<u>-</u>	<u>210,828</u>
<b>Replacement reserves</b>							
<b>Fixed assets</b>							
Land and improvements	5,621,933	-	3,417,306	-	1,248,671	-	10,287,910
Buildings and improvements	22,360,658	81,633	21,993,862	88,843	18,118,477	-	62,643,473
Furniture and equipment	1,592,906	-	1,516,071	-	1,821,407	-	4,930,384
	29,575,497	81,633	26,927,239	88,843	21,188,555	-	77,861,767
Less: accumulated depreciation	(4,039,367)	(34,014)	(3,942,660)	(37,018)	(3,364,649)	-	(11,417,708)
	25,536,130	47,619	22,984,579	51,825	17,823,906	-	66,444,059
Construction in progress	-	-	280,608	-	-	-	280,608
	<u>25,536,130</u>	<u>47,619</u>	<u>23,265,187</u>	<u>51,825</u>	<u>17,823,906</u>	<u>-</u>	<u>66,724,667</u>
<b>Net fixed assets</b>							
<b>Total assets</b>	<u>\$ 38,235,651</u>	<u>\$ 828,291</u>	<u>\$ 44,146,785</u>	<u>\$ 852,013</u>	<u>\$ 14,520,834</u>	<u>\$ 892</u>	<u>\$ 98,584,466</u>

## BRE KNIGHT SH CA OWNER LLC

### SPECIAL PURPOSE COMBINING BALANCE SHEET December 31, 2021 (Continued)

#### LIABILITIES AND MEMBERS' EQUITY

	BRE Knight SH CA Owner - Serento Casa	Serento Casa - Managed by Generations	BRE Knight SH CA Owner - Serento Rosa	Serento Rosa - Managed by Generations	Blossom Vale Senior Living - Managed by Compass	BRE Knight SH CA Owner LLC	Combined
<b>Current liabilities</b>							
Accounts payable	\$ -	\$ 820,207	\$ -	\$ 807,961	\$ 122,884	\$ -	\$ 1,751,052
Accrued personnel expenses	-	377,520	-	367,130	103,529	-	848,179
Deferred revenue	-	2,523	-	3,757	50,994	-	57,274
Accrued expenses	-	(8,015)	-	52,025	8,980	-	52,990
Lease payable (receivable)	2,603,753	(2,603,753)	1,132,175	(1,132,175)	-	-	-
Resident refunds payable	-	64,765	-	44,100	-	-	108,865
Accrued interest	709,515	-	655,854	-	294,062	-	1,659,431
Capital lease payable, current portion	-	14,113	-	15,271	-	-	29,384
	<u>3,313,268</u>	<u>(1,332,640)</u>	<u>1,788,029</u>	<u>158,069</u>	<u>580,449</u>	<u>-</u>	<u>4,507,175</u>
<b>Long term liabilities</b>							
Capital lease payable, net of current portion	-	47,881	-	52,334	-	-	100,215
Mortgage payable, net	24,672,512	-	23,626,214	-	8,641,037	-	56,939,763
	<u>24,672,512</u>	<u>47,881</u>	<u>23,626,214</u>	<u>52,334</u>	<u>8,641,037</u>	<u>-</u>	<u>57,039,978</u>
	<u>27,985,780</u>	<u>(1,284,759)</u>	<u>25,414,243</u>	<u>210,403</u>	<u>9,221,486</u>	<u>-</u>	<u>61,547,153</u>
<b>Members' equity</b>							
Members' equity	10,249,871	2,113,050	18,732,542	641,610	5,299,348	892	37,037,313
	<u>10,249,871</u>	<u>2,113,050</u>	<u>18,732,542</u>	<u>641,610</u>	<u>5,299,348</u>	<u>892</u>	<u>37,037,313</u>
<b>Total liabilities and Members' equity</b>	<u>\$ 38,235,651</u>	<u>\$ 828,291</u>	<u>\$ 44,146,785</u>	<u>\$ 852,013</u>	<u>\$ 14,520,834</u>	<u>\$ 892</u>	<u>\$ 98,584,466</u>

# BRE KNIGHT SH CA OWNER LLC

## SPECIAL PURPOSE COMBINING STATEMENT OF OPERATIONS For the year ended December 31, 2021

	Managed by Generations			Managed by Generations			Blossom Vale Senior Living - Managed by Compass	BRE Knight SH CA Owner LLC	Combined
	BRE Knight SH CA Owner - Serento Casa	BRE Knight SH CA Owner - Serento Casa RCFE	GenSanDimas dba Serento Casa	BRE Knight SH CA Owner - Serento Rosa	BRE Knight SH CA Owner - Serento Rosa RCFE	GenYorbaLinda dba Serento Rosa			
<b>Revenue and other income</b>									
Independent living	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,923	\$ -	\$ 131,923
Assisted living	-	2,378,128	-	-	2,532,031	-	3,058,851	-	7,969,010
Skilled nursing	-	-	2,609,430	-	-	3,781,483	-	-	6,390,913
Memory care	-	1,264,874	-	-	1,290,776	-	-	-	2,555,650
Rehabilitation	-	-	457,716	-	-	787,470	-	-	1,245,186
Laboratory	-	-	57,316	-	-	195,054	-	-	252,370
Other income	-	(9,463)	23,511	-	7,720	16,936	45,066	-	83,770
Interest	-	-	96	-	-	54	6	-	156
Non-operating	-	-	-	-	-	-	200	-	200
<b>Total revenues and other income</b>	<b>-</b>	<b>3,633,539</b>	<b>3,148,069</b>	<b>-</b>	<b>3,830,527</b>	<b>4,780,997</b>	<b>3,236,046</b>	<b>-</b>	<b>18,629,178</b>
<b>Expenses</b>									
Assisted living	-	1,403,510	-	-	1,557,850	-	612,642	-	3,574,002
Skilled nursing	-	-	2,962,180	-	-	3,406,165	-	-	6,368,345
Memory care	-	692,520	-	-	412,027	-	-	-	1,104,547
Rehabilitation	-	-	404,200	-	-	662,290	-	-	1,066,490
Vitality	-	125,006	-	-	178,181	-	-	-	303,187
Laboratory	-	-	70,355	-	-	189,258	-	-	259,613
Activities	-	-	36,618	-	-	69,915	-	-	106,533
Marketing	-	138,025	92,164	-	140,318	96,598	137,678	-	604,783
Administration	-	356,953	370,880	-	303,612	332,744	938,360	3,163	2,305,712
Dietary	-	718,229	253,346	-	625,822	225,798	703,845	-	2,527,040
Maintenance	-	236,719	73,848	-	172,490	56,320	253,567	-	792,944
Equipment rental	-	28,903	17,882	-	22,197	20,480	-	-	89,462
Housekeeping and laundry	-	208,184	130,245	-	170,267	88,739	74,652	-	672,087
Utilities	-	267,506	100,439	-	254,552	94,753	286,179	-	1,003,429
Lease expense	-	-	-	-	-	-	22,687	-	22,687
Tax and insurance	-	644,016	234,262	-	498,072	181,945	351,473	-	1,909,768
Interest	620,791	-	6,106	594,090	-	6,903	218,056	-	1,445,946
Depreciation	924,353	-	27,211	909,171	-	29,614	890,686	-	2,781,035
Amortization	24,576	-	-	19,739	-	-	11,292	-	55,607
Disaster	-	70,828	-	-	140,574	-	27,046	-	238,448
Transition	-	7,699	-	-	7,465	-	-	-	15,164
Bad debt	-	89,510	682,174	-	16,749	205,218	36,056	-	1,029,707
Gain (loss) on interest rate cap	(2,769)	-	-	(2,649)	-	-	(973)	-	(6,391)
<b>Total expenses</b>	<b>1,566,951</b>	<b>4,987,608</b>	<b>5,461,910</b>	<b>1,520,351</b>	<b>4,500,176</b>	<b>5,666,740</b>	<b>4,563,246</b>	<b>3,163</b>	<b>28,270,145</b>
<b>Other income (expenses)</b>									
Lease expense	(2,313,841)	-	2,313,841	(885,743)	-	885,743	-	-	-
<b>Total other income (expenses)</b>	<b>(2,313,841)</b>	<b>-</b>	<b>2,313,841</b>	<b>(885,743)</b>	<b>-</b>	<b>885,743</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income (loss)</b>	<b>\$ (3,880,792)</b>	<b>\$ (1,354,069)</b>	<b>\$ -</b>	<b>\$ (2,406,094)</b>	<b>\$ (669,649)</b>	<b>\$ -</b>	<b>\$ (1,327,200)</b>	<b>\$ (3,163)</b>	<b>\$ (9,640,967)</b>

## BRE KNIGHT SH CA OWNER LLC

### SPECIAL PURPOSE COMBINING STATEMENT OF CHANGES IN MEMBERS' EQUITY

	<u>BRE Knight SH CA Owner - Serento Casa</u>	<u>Serento Casa - Managed by Generations</u>	<u>BRE Knight SH CA Owner - Serento Rosa</u>	<u>Serento Rosa - Managed by Generations</u>	<u>Blossom Vale Senior Living - Managed by Compass</u>	<u>BRE Knight SH CA Owner LLC</u>	<u>Combined</u>
Balance, January 1, 2021	\$ 12,889,383	\$ 774,112	\$ 18,180,701	\$ 312,280	\$ 6,401,548	\$ 4,055	\$ 38,562,079
Net income (loss)	(3,880,792)	(1,354,069)	(2,406,094)	(669,649)	(1,327,200)	(3,163)	(9,640,967)
Distributions	-	-	-	(19,028)	-	-	(19,028)
Contributions	<u>1,241,280</u>	<u>2,693,007</u>	<u>2,957,935</u>	<u>1,018,007</u>	<u>225,000</u>	<u>-</u>	<u>8,135,229</u>
Balance, December 31, 2021	<u>\$ 10,249,871</u>	<u>\$ 2,113,050</u>	<u>\$ 18,732,542</u>	<u>\$ 641,610</u>	<u>\$ 5,299,348</u>	<u>\$ 892</u>	<u>\$ 37,037,313</u>

## BRE KNIGHT SH CA OWNER LLC

### SPECIAL PURPOSE COMBINING STATEMENT OF CASH FLOWS For the year ended December 31, 2021

	BRE Knight SH CA Owner - Serento Casa	Serento Casa - Managed by Generations	BRE Knight SH CA Owner - Serento Rosa	Serento Rosa - Managed by Generations	Blossom Vale Senior Living - Managed by Compass	BRE Knight SH CA Owner LLC	Combined
<b>Cash flows from operating activities</b>							
Cash received from residents	\$ -	\$ 7,307,670	\$ -	\$ 8,839,605	\$ 3,211,740	\$ -	\$ 19,359,015
Other receipts	-	14,144	-	24,710	46,245	-	85,099
Interest expense paid	(319,380)	(6,106)	(298,085)	(8,234)	(70,825)	-	(702,630)
Cash paid to suppliers and employees	(632,529)	(9,777,625)	(2,409,759)	(9,776,765)	(1,439,479)	(3,163)	(24,039,320)
<b>Net cash provided by (used in) operating activities</b>	<b>(951,909)</b>	<b>(2,461,917)</b>	<b>(2,707,844)</b>	<b>(920,684)</b>	<b>1,747,681</b>	<b>(3,163)</b>	<b>(5,297,836)</b>
<b>Cash flows from investing activities</b>							
Purchase of fixed assets	(220,630)	-	(181,348)	-	(1,471,704)	-	(1,873,682)
<b>Net cash provided by (used in) investing activities</b>	<b>(220,630)</b>	<b>-</b>	<b>(181,348)</b>	<b>-</b>	<b>(1,471,704)</b>	<b>-</b>	<b>(1,873,682)</b>
<b>Cash flows from financing activities</b>							
Principal payments on capital lease	-	(13,045)	-	(14,640)	-	-	(27,685)
Contributions	1,241,280	2,693,007	2,957,935	1,018,007	225,000	-	8,135,229
Distributions	-	-	-	(19,028)	-	-	(19,028)
<b>Net cash provided by (used in) financing activities</b>	<b>1,241,280</b>	<b>2,679,962</b>	<b>2,957,935</b>	<b>984,339</b>	<b>225,000</b>	<b>-</b>	<b>8,088,516</b>
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>68,741</b>	<b>218,045</b>	<b>68,743</b>	<b>63,655</b>	<b>500,977</b>	<b>(3,163)</b>	<b>916,998</b>
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	<b>16,264</b>	<b>11,007</b>	<b>15,719</b>	<b>81,443</b>	<b>(439,168)</b>	<b>4,055</b>	<b>(310,680)</b>
<b>Cash, cash equivalents and restricted cash, end of year</b>	<b>\$ 85,005</b>	<b>\$ 229,052</b>	<b>\$ 84,462</b>	<b>\$ 145,098</b>	<b>\$ 61,809</b>	<b>\$ 892</b>	<b>\$ 606,318</b>

## BRE KNIGHT SH CA OWNER LLC

### SPECIAL PURPOSE COMBINING STATEMENT OF CASH FLOWS For the year ended December 31, 2021 (Continued)

	BRE Knight SH CA Owner - Serento Casa	Serento Casa - Managed by Generations	BRE Knight SH CA Owner - Serento Rosa	Serento Rosa - Managed by Generations	Blossom Vale Senior Living - Managed by Compass	BRE Knight SH CA Owner LLC	Combined
<b>Reconciliations of net income (loss) to net cash provided by (used in) operating activities</b>							
Net income (loss)	\$ (3,880,792)	\$ (1,354,069)	\$ (2,406,094)	\$ (669,649)	\$ (1,327,200)	\$ (3,163)	\$ (9,640,967)
<b>Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:</b>							
Depreciation	924,353	27,211	909,171	29,614	890,686	-	2,781,035
Amortization	24,576	-	19,739	-	11,292	-	55,607
Bad debt	-	771,684	-	221,967	36,056	-	1,029,707
Reallocation of mortgage with related parties	1,241,280	-	2,957,935	-	291,321	-	4,490,536
(Gain) loss on interest rate cap	(2,769)	-	(2,649)	-	(973)	-	(6,391)
<b>Decrease (increase) in:</b>							
Accounts receivable, net SNF	-	(157,346)	-	194,957	(66,084)	-	(28,473)
Accounts receivable, net RCFE	-	(13,401)	-	(2,900)	-	-	(16,301)
Due from related parties	(1,877,532)	199,492	(5,509,583)	119,490	2,198,687	-	(4,869,446)
Prepaid expenses	-	(139,887)	-	(97,992)	52,623	-	(185,256)
Inventories	-	37,544	-	27,933	-	-	65,477
<b>Increase (decrease) in:</b>							
Accounts payable	-	452,304	-	330,803	(81,892)	-	701,215
Accrued personnel expenses	-	89,247	-	(228)	(23,919)	-	65,100
Deferred revenue	-	(9,633)	-	(62,632)	50,994	-	(21,271)
Accrued expenses	-	(69,913)	-	12,305	(283,910)	-	(341,518)
Lease payable	2,317,564	(2,244,052)	1,027,632	(925,751)	-	-	175,393
Resident refunds payable	-	(51,098)	-	(98,601)	-	-	(149,699)
Accrued interest	301,411	-	296,005	-	-	-	597,416
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (951,909)</u>	<u>\$ (2,461,917)</u>	<u>\$ (2,707,844)</u>	<u>\$ (920,684)</u>	<u>\$ 1,747,681</u>	<u>\$ (3,163)</u>	<u>\$ (5,297,836)</u>

**PART 5**  
**LIQUID RESERVES**





HANSEN HUNTER & CO. P.C.  
*Certified Public Accountants*

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## INDEPENDENT AUDITOR'S REPORT

To BRE Knight SH CA Owner LLC and BRE-BKD Knight LLC,  
the Provisional Certificate of Authority holders, for Serento Casa  
Sam Dimas, California

### **Opinion**

We have audited the accompanying continuing care reserve report (the "Reports") of BRE Knight SH CA Owner LLC and BRE-BKD Knight LLC, the Provisional Certificate of Authority holders, for Serento Casa (the "Community"), which comprise the continuing care liquid reserve schedules Form 5-1 through Form 5-5 as of December 31, 2021. The Reports have been prepared by management using the liquid reserve requirements of California Health and Safety Code Section 1792.

In our opinion, the Reports referred to above present fairly, in all material respects, the liquid reserve schedules Form 5-1 through Form 5-5 of BRE Knight SH CA Owner LLC and BRE-BKD Knight LLC, the Provisional Certificate of Authority holders, for Serento Casa, as of December 31, 2021, in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Reports section of our report. We are required to be independent of the Community and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis of Accounting**

We draw attention to the basis of accounting used to prepare the Reports. The Reports were prepared on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. The Reports are not intended to be a complete presentation of the Community's assets, liabilities, revenues and expenses. Our opinion is not modified with respect to this matter.



HANSEN HUNTER & CO. P.C.  
*Certified Public Accountants*

## **Responsibilities of Management for the Reports**

Management is responsible for the preparation and fair presentation of the Reports in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792, and for 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.

## **Auditor's Responsibilities for the Reports**

Our objectives are to obtain reasonable assurance about whether the Reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Reports.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts in the Reports.
- Obtain an understanding of internal control relevant to the audit 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 Community's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Reports.



HANSEN HUNTER & CO. P.C.  
*Certified Public Accountants*

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the Reports as a whole. The accompanying supplementary information of Attachment I to Form 5-4: Calculation of Net Operating Expense Reconciliation of Line 2a and Annualization of Net Operating Expenses Lines 1 and 2c, Attachment II to Form 5-4: Calculation of Net Operating Expense Reconciliation of Line 2e, Attachment III to Form 5-5: Note to Form 5-5 Qualifying Assets, Attachment IV to Form 5-5: Note to the Continuing Care Reserve Report, and Attachment V to Form 5-5: H&SC Section 1790(a)(2) and (3) Disclosure are presented for purposes of additional analysis and are not a required part of the Reports. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Reports. The information has been subjected to the auditing procedures applied in the audit of the Reports and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Reports or to the Reports themselves, and other additional procedures in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. In our opinion, the information is fairly stated in all material respects in relation to the Reports as a whole.

### **Restriction on Use**

Our report is intended solely for the information and use of the Community and for filing with the California Department of Social Services and is not intended to be, 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.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Hansen Hunter & Co. P.C.*

July 28, 2022

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

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Principal Paid During Fiscal Year	Interest Paid During Fiscal Year	Credit Enhancement Premiums Paid In Fiscal Year	Total Paid (columns (b) + (c) + (d))
1	3/29/2017	\$0	\$620,791	\$0	\$620,791
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>		\$0	\$620,791	\$0	\$620,791

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

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

**PROVIDER NOTE to Form 5-1:** Interest paid listed above on Line 1 includes amounts related to reallocated debt incurred in the current year (see Note 4 in the audit).

**PROVIDER:** BRE KNIGHT SH CA OWNER LLC AND BRE-BKD KNIGHT LLC  
**COMMUNITY:** SERENTO CASA

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

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

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

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

**PROVIDER:** BRE KNIGHT SH CA OWNER LLC AND BRE-BKD KNIGHT LLC  
**COMMUNITY:** SERENTO CASA

**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)	<u>\$620,791</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$0</u>
3	Facility leasehold or rental payment paid by provider during fiscal year. (including related payments such as lease insurance)	<u>\$0</u>
4	<b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<b><u><u>\$620,791</u></u></b>

**PROVIDER:** BRE KNIGHT SH CA OWNER LLC AND BRE-BKD KNIGHT LLC  
**COMMUNITY:** SERENTO CASA

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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$12,019,238</u>
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	<u>\$620,791</u>	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$0</u>	
c.	Depreciation	<u>\$951,564</u>	
d.	Amortization	<u>\$24,576</u>	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$3,321,318</u>	
f.	Extraordinary expenses approved by the Department	<u>\$0</u>	
3	Total Deductions		<u>\$4,918,249</u>
4	Net Operating Expenses		<u>\$7,100,989</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$19,455</u>
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.		<u><u>\$1,459,125</u></u>

**PROVIDER:** BRE KNIGHT SH CA OWNER LLC AND BRE-BKD KNIGHT LLC  
**COMMUNITY:** SERENTO CASA

## FORM 5-5 ANNUAL RESERVE CERTIFICATION

Provider Name: BRE KNIGHT SH CA OWNER LLC AND BRE-BKD KNIGHT LLC  
 Community Name: SERENTO CASA  
 Fiscal Year Ended: DECEMBER 31, 2021

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the Period ended DECEMBER 31, 2021 and are in compliance with those requirements.

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

	<b>Amount</b>
[1] Debt Service Reserve Amount	\$620,791
[2] Operating Expense Reserve Amount	\$1,459,125
[3] <b>Total Liquid Reserve Amount:</b>	<b>\$2,079,916</b>

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

<u>Qualifying Asset Description</u>	<b>Amount (market value at end of quarter)</b>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	\$620,791 (See Attachment III)	\$1,459,125 (See Attachment III)
[5] Investment Securities	\$0	\$0
[6] Equity Securities	\$0	\$0
[7] Unused/Available Lines of Credit	\$0	\$0
[8] Unused/Available Letters of Credit	\$0	\$0
[9] Debt Service Reserve	\$0	(not applicable)
[10] Other:	\$0	\$0
(describe qualifying asset)		
<b>Total Amount of Qualifying Assets Listed for Liquid Reserve:</b>	[11] \$620,791	[12] \$1,459,125
<b>Total Amount Required:</b>	[13] \$620,791	[14] \$1,459,125
<b>Surplus/(Deficiency):</b>	[15] \$0	[16] \$0

Signature:  
DocuSigned by:

**Thilo Best**

(Authorized Representative)

Vice President

(Title)

Date: July 28, 2022



## **SUPPLEMENTARY INFORMATION**

**FORM 5-4  
ATTACHMENT I**

**CALCULATION OF NET OPERATING EXPENSES RECONCILIATION OF LINE 2A**

Interest on long-term debt (Line 2A)	\$	620,791
Interest on capital lease obligation		<u>6,106</u>
Total interest, per statement of operations	\$	<u><u>626,897</u></u>

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

Total revenues, per statements of operations	\$ 6,781,608
Net change in accounts receivable	600,937
Net change in resident refunds payable	(51,098)
Net change in deferred revenue	(9,633)
Less: other income	<u>(14,144)</u>
Cash received from residents, per cash flow	\$ <u>7,307,670</u>
Revenues received during the year ended December 31, 2021 for services to persons who did not have a continuing care contract	\$ 3,321,318
Revenues received during the year ended December 31, 2021 for services to persons who did have a continuing care contract	3,446,146
Net change in accounts receivable	600,937
Net change in resident refunds payable	(51,098)
Net change in deferred revenue	<u>(9,633)</u>
Cash received from residents, per cash flow	\$ <u>7,307,670</u>

**FORM 5-5  
ATTACHMENT III  
NOTE TO FORM 5-5 QUALIFYING ASSETS**

BRE-BKD Knight LLC is included as a provider to backstop the financial obligations of BRE Knight SH CA Owner LLC to the residents of the Community. As evidenced by its financial statements showing cash on hand in its own bank accounts of \$3,664,370, BRE-BKD Knight LLC amply satisfies the liquid reserve requirement of \$2,079,916.

**FORM 5-5**  
**ATTACHMENT IV**  
**Note 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 Safety 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 Community has calculated its liquid reserve requirement as of December 31, 2021, the most recent fiscal period end, and the reserve calculation of \$2,079,916 is based on the Community's audited financial statements for the year ended December 31, 2021.

**FORM 5-5  
ATTACHMENT V  
H&SC SECTION 1790(A)(2) AND (3) DISCLOSURE**

▪ Description of all Reserves Maintained

	<u>December 31, 2021</u>
Cash and cash equivalents, GenSanDimas, LLC	\$ 229,052
Cash and cash equivalents, BRE BKD Knight LLC	<u>3,664,370</u>
	<u>\$ 3,893,422</u>

▪ Funds Accumulated for Specific Projects or Purposes

- The cash and cash equivalents are used for operations.

▪ Per Capita Cost of Operations

Total operating Expenses (Form 5-4, Line 1)	\$ 12,019,238
Mean number of all residents (Form 1- 1 Line 10)	<u> / 74</u>
	<u>\$ 162,422</u>

**PART 6**  
**CONTINUING CARE RETIREMENT COMMUNITY**  
**DISCLOSURE STATEMENT**

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

Date Prepared: 07/28/2022

FACILITY NAME: SERENTO CASA  
 ADDRESS: 1740 SAN DIMAS AVENUE, SAN DIMAS, CA ZIP CODE: 91773 PHONE: (909) 248-2430  
 PROVIDER NAME: BRE KNIGHT SH CA OWNER LLC and BRE-BKD KNIGHT LLC FACILITY OPERATOR: BRE KNIGHT SH CA OWNER LLC  
 RELATED FACILITIES: NONE RELIGIOUS AFFILIATION: NONE  
 YEAR OPENED: 1999 # OF ACRES: 2.5  SINGLE STORY  MULTI-STORY  OTHER: \_\_\_\_\_ MILES TO SHOPPING CTR: 2  
 MILES TO HOSPITAL: 4

**NUMBER OF UNITS:**

<b>RESIDENTIAL LIVING</b>	<b>HEALTH CARE</b>
APARTMENTS – STUDIO: <u>0</u>	ASSISTED LIVING: <u>90 BEDS</u>
APARTMENTS – 1 BDRM: <u>0</u>	SKILLED NURSING: <u>45 BEDS</u>
APARTMENTS – 2 BDRM: <u>0</u>	SPECIAL CARE: <u>25 BEDS</u>
COTTAGES/HOUSES: <u>0</u>	DESCRIBE SPECIAL CARE: <u>DEMENTIA CARE</u>
RLU OCCUPANCY (%) AT YEAR END: <u>0</u>	

**TYPE OF OWNERSHIP:**  NOT-FOR- PROFIT  FOR PROFIT ACCREDITED?:  YES  NO BY: \_\_\_\_\_  
**FORM OF CONTRACT:** (check all that apply)  CONTINUING CARE  LIFE CARE  ENTRANCE FEE  FEE FOR SERVICE  
 ASSIGNMENT OF ASSETS  EQUITY  MEMBERSHIP  RENTAL  
**REFUND PROVISIONS (Check all that apply):**  Refundable  Repayable  90%  75%  50%  OTHER: \_\_\_\_\_  
**RANGE OF ENTRANCE FEES:** \$0 TO \$0 **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 MEMBERS ON, THE BOARD** (briefly describe provider's compliance and residents' roles):  
 A resident representative meets with a representative of the governing body periodically to discuss budgeting and other resident matters.

COMMON AREA AMENITIES	FACILITY SERVICES AND AMENITIES				
	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (2 TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (3/DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input 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 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 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 checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL – INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL – OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION–PERSONAL	<input type="checkbox"/>	<input checked="" 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 _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>			

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



**PROVIDER NAME:** BRE KNIGHT SH CA OWNER LLC AND BRE-BKD KNIGHT LLC  
**COMMUNITY:** SERENTO CASA

<b>OTHER CCRCs</b>	<b>LOCATION (City, State)</b>	<b>PHONE (with area code)</b>
Serento Rosa	Yorba Linda, CA	714-452-1846

**MULTI-LEVEL RETIREMENT COMMUNITIES**


**FREE-STANDING SKILLED NURSING**


**SUBSIDIZED SENIOR HOUSING**


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

**PROVIDER NAME:** BRE KNIGHT SH CA OWNER LLC AND BRE-BKD KNIGHT LLC  
**COMMUNITY:** SERENTO CASA

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	\$ N/A	\$ N/A	\$ 3,087,417	\$ 6,781,608
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, and interest)	N/A	N/A	3,087,588	10,413,432
<b>NET INCOME FROM OPERATIONS</b>	N/A	N/A	(171)	(3,631,824)
<b>LESS INTEREST EXPENSE</b>	N/A	N/A	(200,890)	(626,897)
<b>PLUS CONTRIBUTIONS</b>	N/A	N/A	0	0
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	N/A	N/A	(201,061)	(4,258,721)
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	\$ N/A	\$ N/A	\$ 0	\$ 0
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	\$ N/A	\$ N/A	\$ 0	\$ 0

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
KeyBank National Association – Master Credit Facility	Allocated \$24,672,512	Variable – LIBOR plus margin	3/29/2017	4/1/2027	Forbearance until 1/31/2021, and then reduced interest only through 1/31/2023; Interest only through 1/1/2025; Principal payments commence 2/1/2025 until maturity

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

	<b>2019 CCAC Medians 50<sup>th</sup> Percentile (optional)</b>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>DEBT TO ASSET RATIO</b>		N/A	88.07%	90.86%
<b>OPERATING RATIO</b>		N/A	1.03	1.51
<b>DEBT SERVICE COVERAGE RATIO</b>		N/A	-1.77	-14.85
<b>DAYS CASH ON HAND RATIO</b>		N/A	1.2	7.60

**HISTORICAL MONTHLY SERVICE FEES**

(Average Fee and Change Percentage)

	<u>2018</u>	<u>%</u>	<u>2019</u>	<u>%</u>	<u>2020</u>	<u>%</u>	<u>2021</u>	<u>%</u>
<b>STUDIO</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>ONE BEDROOM</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>TWO BEDROOM</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>COTTAGE/HOUSE</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>ASSISTED LIVING</b>	N/A	N/A	N/A	N/A	\$4,885	5%	\$5,395	10%
<b>SKILLED NURSING</b>	N/A	N/A	N/A	N/A	\$12,212	5%	\$14,161	15%
<b>SPECIAL CARE</b>	N/A	N/A	N/A	N/A	\$5,289	5%	\$7,625	45%

**COMMENTS FROM PROVIDER:** Fees vary according to size of unit and amenities provided.

Dollar values are from Continuing Care Contracts and RCFE agreements. "Average fees" are for the units occupied at period end. Skilled Nursing fees are derived from services provided by the skilled nursing facility licensee.

PROVIDER NAME: BRE KNIGHT SH CA OWNER LLC AND BRE-BKD KNIGHT LLC  
COMMUNITY: SERENTO CASA

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### FINANCIAL RATIO FORMULAS

#### LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

#### OPERATING RATIO

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

#### Debt Service Coverage Ratio

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

#### DAYS CASH ON HAND RATIO

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

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

**PART 7**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

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

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	N/A	\$4,095 - \$9,995	\$8,760- \$22,023
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	N/A	N/A	N/A

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

[3] Indicate the date the fee increase was implemented: March 1, 2021  
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

**Date of Notice:** 12/28/2020      **Method of Notice:** Letter

At least 30 days prior to the increase in fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

**Date of Meeting:** \_\_\_\_\_

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:** \_\_\_\_\_

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:** \_\_\_\_\_      **Location of Posting:** \_\_\_\_\_

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

**PROVIDER:** BRE KNIGHT SH CA OWNER LLC AND BRE-BKD KNIGHT LLC

**COMMUNITY:** SERENTO CASA

**FORM 7-1 ATTACHMENT  
MONTHLY CARE FEE INCREASE (MCFI)**

ASSISTED LIVING / MEMORY CARE / SKILLED NURSING

<u>Line</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
[1] FY 2019 Operating Expenses (Adjustments if any, explained below)	N/A		
[2] FY 2020 Operating Expenses (Adjustments if any, explained below)		(2,892,684)	
[3] Projected FY 2021 Results of Operations (Adjustments if any, explained below)			(10,241,678)
[4] FY 2021 Anticipated MCF Revenue Based on Current and Projected Occupancy and Other without a MCFI			10,072,200
[5] Projected FY 2021 (Net) Operating Results without MCFI (Line 3 plus Line 4)			(169,478)
[6] Projected FY 2021 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI %			10,575,760
[7] Grand Total – Projected FY 2021 Net Operating Activity After % MCFI (Line 3 plus Line 6)			344,082
		MONTHLY CARE FEE INCREASE:	5%

**Adjustments Explained:**

2020 operating expenses are related to the period from September 1, 2020 through December 31, 2020 only.

**PROVIDER:** BRE KNIGHT SH CA OWNER LLC AND BRE-BKD KNIGHT LLC  
**COMMUNITY:** SERENTO CASA

Serento Casa

**FORM 7-1 Explanations for Adjustments in Monthly Fees**

Annual monthly fee increase across its' level consisted of the following:

- Assisted Living – 5% Effective March 1<sup>st</sup> 2021
- Memory Care – 5% Effective March 1<sup>st</sup> 2021
- Skilled Nursing – 5% Effective March 1<sup>st</sup> 2021

The rate increases were determined during our annual budgeting process with consideration for the COVID-19 pandemic. The budget committee reviews current occupancy levels, payor mix and reimbursements, and estimated operating expenditures. The committee took into consideration the need to increase utilization of agency staffing due to the staffing crisis in the community, particularly in the clinical department. The increase for the skilled nursing facility was higher than the rest of the community. The cost to run the skilled nursing facility has continued to increase due to rising labor costs, Covid expenses, as well as fees paid for professional services.

Regarding the community expenses, we estimated the cost of providing services for the residents using both actual cost data, wage study, and projections based on vendor pricing increases. In the past years, we've continued to experience higher than normal labor costs due to increased competition for labor and rising minimum wage requirements. We anticipate labor costs as well as other costs including, but not limited to food, utilities, supplies, and professional services to continue to increase.

The community's annual monthly fee increase is determined by the revenue requirement needed to meet its fiduciary responsibilities. Any increases in unrestricted net assets would be used to fund additional capital expenditures, supplement resident care, and improve the general operations.

**PART 8**  
**KEY INDICATORS REPORT**



**KEY INDICATORS REPORT**  
**BRE KNIGHT SH CA OWNER LLC and BRE-BKD KNIGHT LLC**  
**SERENTO CASA**  
**FISCAL YEAR ENDED DECEMBER 31, 2021**

Date Prepared: 7/28/2022

DocuSigned by:

*Thilo Best*

Authorized Representative Signature

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

	2017	2018	2019	2020	2021	Projected 2022	2023	2024	2025	2026	Preferred Trend Indicator
<b>OPERATIONAL STATISTICS</b>											
1. Average Annual Occupancy by Site (%)	N/A	N/A	N/A	55.4%	48.9%	48.9%	67.3%	82.1%	84.9%	84.9%	N/A
<b>MARGIN (PROFITABILITY) INDICATORS</b>											
2. Net Operating Margin (%)	N/A	N/A	N/A	-10%	-42%	-35%	0%	15%	17%	17%	↑
3. Net Operating Margin – Adjusted (%)	N/A	N/A	N/A	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	↓
<b>LIQUIDITY INDICATORS</b>											
4. Unrestricted Cash and Investments (\$000)	N/A	N/A	N/A	11	229	300	350	400	450	500	↑
5. Days Cash on Hand (Unrestricted)	N/A	N/A	N/A	1.2	7.6	9.6	10.5	11.5	12.5	13.4	↑
<b>CAPITAL STRUCTURE INDICATORS</b>											
6. Deferred Revenue from Entrance Fees (\$000)	N/A	N/A	N/A	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A
7. Net Annual E/F proceeds (\$000)	N/A	N/A	N/A	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A
8. Unrestricted Net Assets (\$000)	N/A	N/A	N/A	N/A2	N/A2	N/A2	N/A2	N/A2	N/A2	N/A2	N/A
9. Annual Capital Asset Expenditure (\$000)	N/A	N/A	N/A	194	220	495	469	516	542	569	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	N/A	N/A	N/A	-1.76	-5.85	-4.21	-0.24	2.32	2.70	2.66	↑
11. Annual Debt Service Coverage (x)	N/A	N/A	N/A	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	↑
12. Annual Debt Service/Revenue (%)	N/A	N/A	N/A	7.35	9.15	8.77	6.36	5.49	5.44	5.54	↓
13. Average Annual Effective Interest Rate (%)	N/A	N/A	N/A	2.56	2.52	2.77	2.91	3.05	3.20	3.42	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	N/A	N/A	N/A	0.05	0.93	1.22	1.42	1.62	1.86	2.10	↑
15. Average Age of Facility (years)	N/A	N/A	N/A	3.4	4.3	5.3	6.1	6.9	6.7	7.4	↓

**BRE KNIGHT SH CA OWNER LLC and BRE-BKD KNIGHT LLC  
SERENTO CASA**

**Key Indicator Report Attachment**

N/A:

The provisional certificate of authority was issued September 1, 2020.

N/A1:

The Community does not collect entrance fees; therefore, the ratio is not applicable.

N/A2:

BRE-BKD Knight LLC does have substantial unrestricted net assets as identified on the BRE-BKD Knight financial statements. The Community has access to the shared funds maintained by BRE-BKD Knight LLC. The foregoing ensures that BRE Knight SH CA Owner maintains sufficient liquidity to pay its indebtedness when due.