# Sequoia Living, Inc.
# Continuing Care Contract Annual Report
# For the Year Ended December 31, 2018

# Part 1

## FORM 1-1
## RESIDENT POPULATION

| Line | Continuing Care Residents | | TOTAL |
|---|---|---|---|
| [1] | Number at beginning of fiscal year | | 344 |
| [2] | Number at end of fiscal year | | 336 |
| [3] | Total Lines 1 and 2 | | 680 |
| [4] | Multiply Line 3 by ".50" and enter result on Line 5. | | x .50 |
| [5] | Mean number of continuing care residents | | 340 |
| | **All Residents** | | |
| [6] | Number at beginning of fiscal year | | 344 |
| [7] | Number at end of fiscal year | | 336 |
| [8] | Total Lines 6 and 7 | | 680 |
| [9] | Multiply Line 8 by ".50" and enter result on Line 10. | | x .50 |
| [10] | Mean number of *all* residents | | 340 |
| [11] | Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places). | | 1.00 |

## FORM 1-2
## ANNUAL PROVIDER FEE

| Line | | | TOTAL |
|---|---|---|---|
| [1] | Total Operating Expenses (including depreciation and debt service - interest only) | | $30,942,670 |
| [a] | Depreciation | $4,324,144 | |
| [b] | Debt Service (Interest Only) | $1,068,548 | |
| [2] | Subtotal (add Line 1a and 1b) | | $5,392,692 |
| [3] | Subtract Line 2 from Line 1 and enter result. | | $25,549,978 |
| [4] | Percentage allocated to continuing care residents (Form 1-1, Line 11) | | 100% |
| [5] | Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) | | $25,549,978 |
| | | | x .001 |
| [6] | **Total Amount Due** (multiply Line 5 by .001) | | $25,550 |

**PROVIDER** Sequoia Living, Inc
**COMMUNIT** Sequoias - San Francisco

## FORM 1-1
## RESIDENT POPULATION

| Line | Continuing Care Residents | TOTAL |
|---|---|---|
| [1] | Number at beginning of fiscal year | 307 |
| [2] | Number at end of fiscal year | 281 |
| [3] | Total Lines 1 and 2 | 588 |
| [4] | Multiply Line 3 by ".50" and enter result on Line 5. | x .50 |
| [5] | Mean number of continuing care residents | 294 |
| | **All Residents** | |
| [6] | Number at beginning of fiscal year | 307 |
| [7] | Number at end of fiscal year | 281 |
| [8] | Total Lines 6 and 7 | 588 |
| [9] | Multiply Line 8 by ".50" and enter result on Line 10. | x .50 |
| [10] | Mean number of *all* residents | 294 |
| [11] | Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places). | 1.00 |

## FORM 1-2
## ANNUAL PROVIDER FEE

| Line | | | TOTAL |
|---|---|---|---|
| [1] | Total Operating Expenses (including depreciation and debt service - interest only) | | $28,570,615 |
| [a] | Depreciation | $2,785,755 | |
| [b] | Debt Service (Interest Only) | $682,087 | |
| [2] | Subtotal (add Line 1a and 1b) | | $3,467,842 |
| [3] | Subtract Line 2 from Line 1 and enter result. | | $25,102,773 |
| [4] | Percentage allocated to continuing care residents (Form 1-1, Line 11) | | 100% |
| [5] | Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) | | $25,102,773 |
| | | | x .001 |
| [6] | **Total Amount Due** (multiply Line 5 by .001) | | $25,103 |

**PROVIDER** Sequoia Living, Inc
**COMMUNIT** Sequoias - Portola Valley

## FORM 1-1
## RESIDENT POPULATION

| Line | Continuing Care Residents | TOTAL |
|---|---|---|
| [1] | Number at beginning of fiscal year | 306 |
| [2] | Number at end of fiscal year | 307 |
| [3] | Total Lines 1 and 2 | 613 |
| [4] | Multiply Line 3 by ".50" and enter result on Line 5. | x .50 |
| [5] | Mean number of continuing care residents | 306.5 |
| | **All Residents** | |
| [6] | Number at beginning of fiscal year | 306 |
| [7] | Number at end of fiscal year | 307 |
| [8] | Total Lines 6 and 7 | 613 |
| [9] | Multiply Line 8 by ".50" and enter result on Line 10. | x .50 |
| [10] | Mean number of *all* residents | 306.5 |
| [11] | Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places). | 1.00 |

## FORM 1-2
## ANNUAL PROVIDER FEE

| Line | | | TOTAL |
|---|---|---|---|
| [1] | Total Operating Expenses (including depreciation and debt service - interest only) | | $26,145,747 |
| [a] | Depreciation | $2,956,883 | |
| [b] | Debt Service (Interest Only) | $821,316 | |
| [2] | Subtotal (add Line 1a and 1b) | | $3,778,199 |
| [3] | Subtract Line 2 from Line 1 and enter result. | | $22,367,548 |
| [4] | Percentage allocated to continuing care residents (Form 1-1, Line 11) | | 100% |
| [5] | Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) | | $22,367,548 |
| | | | x .001 |
| [6] | **Total Amount Due** (multiply Line 5 by .001) | | $22,368 |

| | |
|---|---|
| PROVIDEI | Sequoia Living, Inc |
| COMMUN | Tamalpais |

# Part 2

**SEQUOIA LIVING, INC.**
**CERTIFICATION BY CHIEF EXECUTIVE OFFICER**

**December 31, 2018**

I hereby certify to the best of my knowledge and belief that:

1. The information included within this annual report is correct.

2. Each continuing care contract form now in use for new residents has been approved by the Department.

3. As of the date of this certification Sequoia Living is maintaining the required liquid reserve and refund reserve.

David Berg

President & CEO
Title

May 30, 2019
Date

# Part 3

**SEQUOIA LIVING, INC.**
**EVIDENCE OF FIDELITY BOND**

**December 31, 2018**

| | |
|---|---|
| Type: | Employee Fidelity |
| Coverage: | $1,500,000 |
| Carrier: | Federal Insurance Company |

# Part 4

# Sequoia Living, Inc.

**(Formerly known as Northern California Presbyterian Homes and Services, Inc.)**

## Consolidated Financial Statements
## December 31, 2018 and 2017

# Sequoia Living, Inc.
**(Formerly known as Northern California Presbyterian Homes and Services, Inc.)**
## Index
## December 31, 2018 and 2017

**Page(s)**

## Report of Independent Auditors

To the Board of Directors of
Sequoia Living, Inc.

We have audited the accompanying consolidated financial statements of Sequoia Living, Inc. formerly known as Northern California Presbyterian Homes and Services, Inc. and its subsidiaries (the “Organization”), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets, and of cash flows for the years then ended.

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

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

### *Auditors’ Responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We did not audit the financial statements of Western Park Apartments, L.P., a controlled partnership, which statements reflect total assets of $28,066,709 and $28,839,625 as of December 31, 2018 and 2017, respectively, and total revenues of $3,608,781 and $3,518,397, respectively, for the years then ended. We also did not audit the financial statements of Town Park Towers, L.P., a controlled partnership, which statements reflect total assets of $30,285,972 and $32,065,838 as of December 31, 2018 and 2017, respectively, and total revenues of $4,148,113 and $3,725,566, respectively, for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Western Park Apartments, L.P. and Town Park Towers, L.P., is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

***Opinion***

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sequoia Living, Inc. and its subsidiaries as of December 31, 2018 and December 31, 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2 to the consolidated financial statements, the Organization has changed the manner in which it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity in 2018. Our opinion is not modified with respect to this matter.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating financial statement information beginning on page 38 is presented for purposes additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

PricewaterhouseCoopers LLP

San Francisco, California
May 30, 2019

# Sequoia Living, Inc.
### (Formerly known as Northern California Presbyterian Homes and Services, Inc.)
## Consolidated Balance Sheets
## December 31, 2018 and 2017
***(dollars in thousands)***

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 5,795 | $ 7,717 |
| Marketable securities | 89,187 | 97,614 |
| Accounts, notes and interest receivable | 5,491 | 4,223 |
| Pledges receivable, net of allowance | - | 380 |
| Limited use assets, current | 91,259 | 3,960 |
| Prepaid expenses and other assets | 1,757 | 2,211 |
| Total current assets | 193,489 | 116,105 |
| Investments contractually limited for replacement reserves on properties financed by HUD | 5,824 | 5,497 |
| Investments held in trust | 13,429 | 13,776 |
| Investments, other | 2,888 | 2,660 |
| Trust contributions receivable | 978 | 620 |
| Pledges receivable, noncurrent | 235 | 233 |
| Investments designated for refundable deposits | 15,113 | 9,989 |
| Limited use assets, noncurrent | 76,075 | 4,040 |
| Deferred cost | 1,623 | 1,176 |
| Facilities, net of accumulated depreciation | 228,730 | 197,667 |
| | 344,895 | 235,658 |
| Total assets | $ 538,384 | $ 351,763 |
| **Liabilities and Net Assets** | | |
| Current liabilities | | |
| Accounts payable | $ 9,452 | $ 6,262 |
| Payroll and related taxes payable | 6,303 | 5,227 |
| Line of credit - unsecured | 2,000 | - |
| Current portion of long term debt | 2,298 | 2,192 |
| Accrued interest payable | 4,551 | 1,534 |
| Refundable deposits | 16,148 | 10,892 |
| Entrance fees paid in advance | 967 | 799 |
| Total current liabilities | 41,719 | 26,905 |
| Long term debt, less current portion | 280,884 | 100,237 |
| Liability on refundable contracts | 16,169 | 15,127 |
| Liability for payments to trust beneficiaries | 6,177 | 6,288 |
| Pension liability | 11,731 | 11,165 |
| Unamortized entrance fees | 124,344 | 125,927 |
| Other long-term liabilities | 5,035 | 4,908 |
| | 444,340 | 263,651 |
| Total liabilities | 486,059 | 290,556 |
| Net assets | | |
| Net assets without donor restrictions | | |
| Controlling Interest | (7,436) | (814) |
| Noncontrolling interest | 32,306 | 33,625 |
| Total net assets without donor restriction | 24,871 | 32,811 |
| Net assets with donor restrictions | 27,455 | 28,394 |
| Total net assets | 52,326 | 61,205 |
| Total liabilities and net assets | $ 538,384 | $ 351,763 |

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

## Sequoia Living, Inc.
**(Formerly known as Northern California Presbyterian Homes and Services, Inc.)**
## Consolidated Statements of Operations
## Years Ended December 31, 2018 and 2017
***(dollars in thousands)***

| | 2018 | 2017 |
|---|---|---|
| **Operating revenues, income, gains, and support, net** | | |
| Operating revenues, income and gains, net | | |
| Resident fees | $ 66,137 | $ 64,820 |
| Amortization of entrance fees | 17,957 | 16,378 |
| Fees for services and other income | 17,452 | 14,487 |
| Investment income including realized gains and losses on investments | 7,130 | 4,097 |
| Administrative service fees | 121 | 125 |
| | 108,797 | 99,907 |
| Support | | |
| Contributions | 319 | 392 |
| Net assets released from restrictions | 1,574 | 1,259 |
| Total operating revenues, income, gains, and support, net | 110,690 | 101,558 |
| **Expenses** | | |
| Program expenses | | |
| Housing | | |
| Program | 19,164 | 21,109 |
| Interest expense | 9,699 | 5,049 |
| Depreciation | 12,251 | 11,243 |
| Food service | 15,957 | 14,898 |
| Health care | 24,624 | 23,054 |
| Other program services | 17,472 | 16,777 |
| | 99,167 | 92,130 |
| Program support expense | | |
| Administration | 10,301 | 8,041 |
| Depreciation | 535 | 496 |
| | 10,836 | 8,537 |
| Total expenses | 110,003 | 100,667 |
| Excess of operating revenues, income, gains and support over expenses | 687 | 891 |
| Other changes | | |
| Unrealized gains (losses) on investments | (7,323) | 6,340 |
| Change in additional minimum pension liability | (1,261) | 2,640 |
| Changes in noncontrolling interest | - | 23,600 |
| Other | (44) | (383) |
| Change in net assets without donor restrictions | (7,941) | 33,088 |
| **Net assets without donor restrictions** | | |
| Beginning of year | 32,811 | (277) |
| End of year | $ 24,870 | $ 32,811 |

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

# Sequoia Living, Inc.
**(Formerly known as Northern California Presbyterian Homes and Services, Inc.)**
## Consolidated Statements of Changes in Net Assets
## Years Ended December 31, 2018 and 2017
***(dollars in thousands)***

| | 2018 | 2017 |
|---|---|---|
| **Net assets without donor restrictions** | | |
| Excess operating revenues, income, gains and support net over expenses | $ 687 | $ 891 |
| Unrealized gains (losses) on investments | (7,323) | 6,340 |
| Change in minimum pension liability | (1,261) | 2,640 |
| Change in noncontrolling interest | - | 23,600 |
| Other | (44) | (383) |
| Change in net assets without donor restrictions | (7,941) | 33,088 |
| **Net assets with donor restrictions** | | |
| Contributions | 1,907 | 1,787 |
| Investment income | 1,458 | 1,059 |
| Change in value of split-interest agreements | (515) | 267 |
| Unrealized gains from investments | (2,215) | 1,110 |
| Net assets released from restrictions | (1,574) | (1,259) |
| Change in net assets with donor restrictions | (939) | 2,964 |
| Change in net assets | (8,880) | 36,052 |
| **Net assets** | | |
| Beginning of year | 61,205 | 25,153 |
| End of year | $ 52,325 | $ 61,205 |

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

# Sequoia Living, Inc.
**(Formerly known as Northern California Presbyterian Homes and Services, Inc.)**
## Consolidated Statements of Cash Flows
## Years Ended December 31, 2018 and 2017
***(dollars in thousands)***

| | 2018 | 2017 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash received from entrance fees | $ 17,964 | $ 21,485 |
| Cash received from resident fees | 66,114 | 65,066 |
| Cash received from services and other income | 17,296 | 13,241 |
| Cash received from contributions | 3,243 | 1,794 |
| Cash received/paid for grants and support | (37) | 23 |
| Investment income | 7,915 | 5,156 |
| Interest paid | (5,462) | (5,009) |
| Cash paid to employees and suppliers | (85,364) | (80,430) |
| Cash contribution to defined benefit plan | (1,900) | (2,800) |
| Settlement of ARO liabilities | (298) | (733) |
| Other | 141 | 117 |
| Cash provided by operating activities | 19,612 | 17,910 |
| **Cash flows from investing activities** | | |
| Proceeds from sale and maturities of investments | 17,963 | 27,232 |
| Purchase of investments funds from bond proceeds | (181,743) | - |
| Sale of investments | 21,159 | - |
| Purchase of investments | (28,086) | (29,210) |
| Sale of investments held for refundable deposits | 2,568 | - |
| Purchase of property and equipment | (40,031) | (23,003) |
| Cash used in investing activities | (208,170) | (24,981) |
| **Cash flows from financing activities** | | |
| Payment of long term debt and notes payable | (2,178) | (36,558) |
| Payment of line of credit | - | (2,000) |
| Proceeds from line of credit | 2,000 | - |
| Issuance of debt | 191,365 | 12,786 |
| Payment of debt issuance costs | (9,620) | - |
| Proceeds from endowment contributions | 299 | 146 |
| Proceeds from contributions held in trust | 545 | 672 |
| Payments from related parties payables | - | (1,024) |
| Payments to trust beneficiaries | (881) | (787) |
| Proceeds from refundable deposits | 7,580 | 11,759 |
| Proceeds from refundable entrance fees | 2,826 | 2,487 |
| Proceeds from limited partner equity | - | 23,600 |
| Refunds of refundable deposits | - | (1,987) |
| Refunds of entrance fees paid | (6,427) | (1,074) |
| Investment income from investments for refundable deposits | 209 | 40 |
| Investment income from marketable securities held in trust | 918 | 915 |
| Cash provided by financing activities | 186,636 | 8,975 |
| Net increase (decrease) in cash and cash equivalents | (1,921) | 1,904 |
| **Cash and cash equivalents** | | |
| Beginning of year | 7,717 | 5,813 |
| End of year | $ 5,796 | $ 7,717 |
| **Non cash transactions** | | |
| Changes in fixed asset additions included in accounts payable | $ 3,819 | $ - |

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

## 1. Corporate Purpose and Structure

### Corporate Purpose

Sequoia Living, Inc. ("Sequoia Living") formerly known as Northern California Presbyterian Homes and Services, Inc., based on its historic mission, provides for the well-being of older persons who are in need of housing, healthcare, food, wellness and other related programs and services through the following communities and programs:

- Three continuing care retirement communities which provide housing, health care, and other services to approximately 1,000 residents. Confidential financial support is also provided to residents who outlive their financial resources.
- Three residential housing communities which receive federal support, provide to approximately 600 residents with low and moderate income affordable housing.
- A portfolio of Community Services programs that promote the health and wellbeing of low-income seniors who live independently and in senior communities.

### Corporate Structure

Sequoia Living is a nonprofit corporation principally organized to provide facilities and other means of care for elderly persons. Board membership consists only of those elected as Directors and only during their period of service as such Directors. The Board of Directors governs the operations of Sequoia Living.

The consolidated financial statements of Sequoia Living also include the activities and balances of the following affiliates and subsidiaries discussed below.

Sequoia Living presently operates continuing care facilities for the care of elderly persons at three locations: the Sequoias-San Francisco ("Sequoias-SF"), the Sequoias-Portola Valley ("Sequoias-PV") and the Tamalpais-Ross Valley Homes ("RVH"). It also operates residential housing facilities for elderly persons at four locations: Western Park Apartments ("WPA"), Eastern Park Apartments ("EPA"), Town Park Towers ("TPT"), and the Woods. All facilities are located in Northern California.

Sequoia Living owns and operates Sequoias-SF and Sequoias-PV. Sequoia Living is affiliated with RVH in Greenbrae, Marin County, California, and is the sole corporate member of RVH.

Sequoia Living owns and operates EPA, which is a low-to-moderate income rental housing facility operated in accordance with the provisions of Section 202 of the National Housing Act. During 2018 and 2017, the facility received approximately 76% of its rental revenue from the U.S. Department of Housing and Urban Development ("HUD").

Sequoia Living solely owned and operated WPA and TPT as low-to-moderate income rental housing facilities operated in accordance with the provisions of Section 236 of the National Housing Act. Western Park Apartments, L.P. (WPA L.P.) and Town Park Apartments, L.P. (TPT L.P.) were formed in 2013 and 2015, respectively, as limited partnerships to acquire, rehabilitate, own, and operate WPA and TPT. WPA L.P. and TPT L.P. are controlled by the respective partnerships general partners, Sequoia Living WPA LLC and Sequoia Living TPT LLC. Sequoia Living is the sole member of Sequoia Living WPA LLC and Sequoia Living TPT LLC.

WPA underwent a significant rehabilitation in 2014. The permanent financing was funded by a Citibank loan (see Note 9). WPA L.P. participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. It also continues to operate in accordance with the provisions of Section 236 of the National Housing Act. Various loans, regulatory and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2068. The limited partners will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of WPA L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partners were required to provide capital contributions of $15.1 million that were used to repay a portion of the $28.8 million construction loan. After the compliance period, Sequoia Living will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised will cause WPA L.P. to cease. The purchase price will be the greater of the outstanding debt and taxes of WPA L.P. or the then fair market value of WPA.

TPT underwent a significant rehabilitation in 2016-2017. The permanent financing was funded by a Citibank loan (see Note 9). TPT L.P. participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. It is also expected to continue to operate in accordance with the provisions of Sections 236 of the National Housing Act. Various loans, regulatory and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2070. The limited partner will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of TPT L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partner is required to provide capital contributions of $23 million that will be used to repay a portion of the $40 million construction loan. In 2017, the limited partners made $23 million in capital contributions. After the compliance period, Sequoia Living will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised will cause TPT L.P. to cease. The purchase price will be the greater of the outstanding debt and taxes of TPT L.P. or the then fair market value of TPT.

For financial reporting purposes, the balance sheets, statements of revenues, expenses, changes in net assets, and statements of cash flows of WPA L.P. and TPT L.P. are consolidated with Sequoia Living. The limited partner interests in WPA L.P. and TPT L.P. are reported as noncontrolling interest in the net assets section of the consolidated balance sheets.

Sequoia Living also owns the Woods, a manufactured home park for seniors located on 37 acres near Mendocino, California. The Woods has 109 home sites.

Sequoia Living is the sole corporate member of Senior Services for Northern California (“SSNC”). SSNC is a supporting organization of Sequoia Living. Trustees of SSNC are charged with receiving, disbursing and accounting for all current gifts, deferred gift-investments and bequests of money and property given for the benefit of Sequoia Living, its programs, facilities, managed properties, and community outreach.

Sequoia Living and SSNC are exempt from income and franchise taxes under Sections 501(c)(3) and 23701(d) of the respective federal and state revenue codes.

Sequoia Living formed a for profit company, NCP Senior Ventures, LLC, a California limited liability company ("NSV"), in 2008. Sequoia Living, as its sole member, signed an operating agreement with NSV on the same date. The purpose of NSV is to engage in the business of the acquisition, investment, development, ownership, management, operation and sale of real estate. For financial reporting purposes, NSV's balance sheet, statement of operations, statements of changes in net assets and cash flows are consolidated with Sequoia Living.

NSV began managing Kokoro Assisted Living, a 54-unit residential housing facility located in San Francisco, California, in 2009. The management fee received for this service is included in fees for service and other income.

Sequoia Living formed Viamonte Senior Living 1 ("VSL") to develop, construct, own, and operate a continuing care retirement community in Walnut Creek, California on a nonprofit, nondenominational basis. Under a consulting agreement, Sequoia Living will provide development and management services to VSL. The land for the project was purchased by VSL in 2017. VSL's total contributed capital for the continuing care retirement community is $25.2 million. The permanent financing closed on May 24, 2018 with revenue bonds insured by the State of California, through its Cal Mortgage Loan Program (see Note 9). The bonds are designated as (a) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018A (VSL Project)" for $45.23 million; (b) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-1 (VSL Project – Entrance Fee Redemption)" for $80 million; (c) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-2" for $39 million (VSL Project – Entrance Fee Redemption)"; (d) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-3 (VSL Project – Entrance Fee Redemption)" for $23 million. The Series 2018B-1, Series 2018B-2, and Series 2018B-3 bonds will mature on July 1, 2025, 2026 and 2027, respectively. The corporation anticipates the redeeming Series 2018B-1, Series 2018B-2, Series B-3 bonds (which are subject to optional redemption on or after January 1, 2021) in full from initial entrance fees by October 1, 2021, October 1, 2022 and July 1, 2023, respectively. The actual timing of the extraordinary redemption of the Series 2018B bonds, may differ from the assumed timing because of timing differences in the receipt of initial entrance fees.

Sequoia Living is affiliated with San Francisco Senior Center ("SFSC"), a not-for-profit corporation that operates two senior centers in San Francisco and delivers services to help seniors stay engaged in the community.

## 2. Basis of Presentation and Summary of Significant Accounting Policies

### Recent Pronouncements

The Financial Accounting Standards Board ("FASB") Codification ("ASC") is the sole source of authoritative nongovernmental U.S. generally accepted accounting principles.

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, to improve the consistency of revenue recognition practices across industries for economically similar transactions. The core principle is that an entity recognizes revenue for goods or services to customers in an amount that reflects the consideration it expects to receive in return. In addition, this update requires new and enhanced disclosures regarding revenue recognition. The effective date is for annual periods beginning after December 15, 2017. On January 1, 2018, Sequoia Living adopted this standard and its related amendments using the modified retrospective transition method, which did not require the restatement of prior periods. The impact of the adoption of the standard did not have a material effect on Sequoia Living's consolidated financial statements. For additional information on the Sequoia Living's revenue, refer to Note on Revenue Recognition beginning on page 16.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. This guidance affects all entities that hold financial assets or owe financial liabilities and primarily affects the accounting for equity investments, financial liabilities under the fair value option, and presentation and disclosure requirements for financial instruments. The guidance is effective for not-for-profit entities for annual periods beginning after December 15, 2018. Sequoia Living early adopted the guidance permitting the elimination of fair value disclosures for financial instruments measured at cost or amortized cost for the years ended December 31, 2018 and 2017.

In February 2016, the FASB issued ASU 2016-02, Leases. The guidance requires recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the balance sheet. The guidance is effective for not-for-profit entities for annual periods beginning after December 15, 2018. Sequoia Living is evaluating the impact this standard may have on its financial statements and disclosures.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, an update to the ASC regarding presentation of financial statements of not-for-profit organizations. This guidance is effective for fiscal years beginning after December 15, 2017. The existing three category classification of net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) will be replaced. Temporarily restricted and permanently restricted is classified into a single category called "net assets with donor restrictions." The standard requires Sequoia Living to reclassify its net assets thus into two categories: net assets without donor imposed restrictions and net assets with donor imposed restrictions. This guidance also removed the requirement to disclose the reconciliation to the indirect method in the statement of cash flows for entities that present the direct method in the statement of cash flows and requires additional disclosures regarding the classification of expenses and the liquidity and availability of funds. Sequoia Living has adopted ASU 2016-14 and the changes in classification within the statement of cash flows were applied retrospectively to all periods presented.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. The guidance is effective for not-for-profit entities for annual periods beginning after December 15, 2018. Sequoia Living has evaluated the standard and has concluded that this standard will not have on its financial statements and disclosures.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows - Restricted Cash. The guidance requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The guidance is effective for not-for-profit entities for annual periods beginning after December 15, 2018. Sequoia Living is evaluating the impact this standard may have on its financial statements and disclosures.

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The new guidance is an update to the ASC regarding the presentation of net periodic benefit costs. The standard requires the bifurcation of net periodic cost related to postretirement benefits into service cost, which is to be included in operations, and other components, which must be reported outside of operations. The guidance is effective for not-for-profit entities for annual periods beginning after December 15, 2018. Sequoia Living is evaluating the impact this standard may have on its financial statements and disclosures.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The standard is intended to clarify and improve the scope and the accounting guidance for contributions received and made. The guidance is effective for not-for-profit entities for annual periods beginning after June 15, 2018. Sequoia Living is evaluating the impact this standard may have on its financial statements and disclosures.

**Basis of Presentation**
The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include Sequoia Living, WPA L.P., TPT L.P., NSV, RVH, VSL and SSNC. All significant inter-entity amounts have been eliminated in consolidation. SSNC and VSL prepare separate stand-alone financial statements in conformity with accounting principles generally accepted in the United States of America. For purposes of presentation of SSNC's and VSL's balance sheets, statement of operations and changes in net assets, and statement of cash flows in these consolidated financial statements, conforming reclassifications have been made to SSNC's and VSL's revenue and expenses and inter-entity receivables and payables consistent with categories in the consolidated financial statements.

These consolidated financial statements reflect accounting principles prescribed for not-for-profit and healthcare organizations. Under these principles, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions (see also Recent Pronouncements). Accordingly, net assets and changes therein are classified and reported as follows:

***Net Assets without Donor Restrictions***
Net assets that are not subject to donor-imposed restrictions are classified as net assets without donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or otherwise limited by contractual arrangements with outside parties.

***Net Assets with Donor Restrictions***
Net assets that are subject to donor-imposed restrictions are classified as net assets with donor restrictions. Net assets with donor restrictions include permanent endowment funds and net assets with donor restrictions that can be fulfilled either by actions of SSNC pursuant to those restrictions and/or that expire by the passage of time. Net assets with donor restrictions consist of charitable remainder trusts, other life income funds, and endowment funds.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled, and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**Fair Value of Financial Instruments**

The FASB statement on fair value measurements establishes a framework for measuring fair value in conformity with generally accepted accounting principles and expands disclosures about fair value measurements. This authoritative guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, this authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- *Level 1* – Observable inputs such as quoted prices in active markets;
- *Level 2* – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- *Level 3* – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- *Market approach* – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- *Income approach* – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The carrying values reported on the balance sheet for current financial assets and liabilities approximate fair value. Investments, investments held in trust, and trust contributions receivable are carried at fair value. See Note 10 for discussion of fair value of Sequoia Living's financial assets and liabilities.

**Cash and Cash Equivalents**

Cash and cash equivalents, which consist of deposits and money market funds, include money market funds purchased with a maturity, at purchase date, of three months or less, with the exception of cash and cash equivalents held as investments or whose use is limited or designated.

**Marketable Securities and Investments Held in Trust**

Equity and debt securities are carried at fair value with realized and unrealized gains and losses included in the statement of operations and the statement of changes in net assets. Realized gains or losses on the sale of investments represent the difference between cost, on a first-in first-out basis, and the related market price at the sale date. A decline in the fair value of an investment in equity and debt securities that is other than temporary is accounted for as a realized loss, whereby the cost basis of the security is written down to fair value. Cash and cash equivalents, which consist of deposits and money market funds are carried at cost, which approximates fair value because of the short-term nature of these investments.

***(dollars in thousands)***

**Deferred Cost**
Deferred cost represents unamortized direct sales and promotional costs incurred to obtain a contract with initial residents. These deferred direct sales and promotional costs are expected to be recovered from future contract revenues and will be amortized using a straight line method over the estimated lives of the initial residents when the units are placed in service.

**Facilities**
Property and equipment are recorded at cost. Depreciation is based on straight-line method at rates based on the estimated useful lives of the various classes of property using the following schedule:

| | **Years** |
|---|---|
| Buildings | 60 |
| Building equipment | 20 |
| Building and land improvement | 10 |
| Equipment, furniture and furnishings | 4–10 |

Interest costs incurred on borrowed funds during the period of construction of qualifying capital assets are capitalized as a component of the cost of acquiring these assets. For the years ended December 31, 2018 and 2017, Sequoia Living capitalized interest of $0 and $129, respectively. Repairs and maintenance expenditures are expensed as incurred.

Several of the buildings owned and operated by Sequoia Living contain asbestos for which Sequoia Living will incur additional expense to remove when those buildings are retired or when renovations are undertaken in an area of the buildings that contains such material. Certain of these costs are not expected to be incurred until the building itself is retired as the material is in areas that will not be impacted by renovation activity. The cost to remove materials in areas of the buildings that will be impacted by renovation activity is estimated to be incurred over the next 40 years.

Asset retirement obligations are estimated at fair value based upon discounted cash flows using the probability- weighted future cash flows for the associated retirement costs and a credit-adjusted risk free discount rate. Liabilities associated with asset retirement obligations are estimated at fair value based on discount rates ranging from 5.7% to 6.3%, and inflation rates of 3.0% and 3.5%. Asset retirement obligations recorded are subject to various assumptions and determinations, such as determining whether an obligation exists to remove assets, estimating the fair value of the costs of removal and estimating when final removal will occur. Changes that may arise over time with regard to these assumptions and determinations will change such amounts recorded for asset retirement obligations. In 2011, Sequoia Living started removing materials in apartments as they became available for new residents. Sequoia Living will continue to do so in future years. Asset retirement obligations are included in other long-term liabilities (See Note 4).

**Investments Held in Trust and Liability for Payments to Trust Beneficiaries**

Investments held in trust represent charitable remainder trusts and other deferred funds in which the donor, or stated beneficiary, has a life interest in the trust income and for which SSNC is trustee and remainderman. Trust assets are carried at fair value remeasured on a recurring basis. The related liabilities for payments to trust beneficiaries are estimated at fair value at the time the related trust assets are received based on the present value of estimated future payments over the expected life of income beneficiaries using an appropriate credit risk-adjusted rate determined at the inception of each agreement. The liabilities are adjusted during the terms of the agreements for changes in the fair value of the assets, accretion of discounts, and other changes in the estimates of future benefits. As of December 31, 2018, the valuation technique utilizes published actuarial life expectancies ranging from 2.7 to 17.5 years, and discount rates ranging from 1.6% to 6.8%. As of December 31, 2017, the valuation technique utilizes published actuarial life expectancies ranging from 2.0 to 18.2 years, and discount rates ranging from 1.6% to 6.8%.

**Pledges Receivable**

Pledges receivable are recorded initially at fair value and consist of unconditional promises to give that are expected to be collected in future years. Such receivables are recognized at fair value based on the present value of their estimated cash flows using the discount rate technique. Subsequent to the initial recording, pledges are recorded at net realizable value. The discounts on these amounts are computed using rates applicable in the years in which those promises are received. As of December 31, 2018, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 5.9 years, and discount rates ranging from 1.6% to 6.8%. As of December 31, 2017, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 6.3 years, and discount rates ranging from 1.6% to 6.8%. Pledges receivable are reviewed for collectability and reserves for uncollectible amounts are established when needed. Conditional promises to give are not included as support until the conditions are substantially met.

**Trust Contributions Receivable**

Trust contributions receivable consist of gifts made to SSNC through split-interest agreements in which SSNC is a remainderman or has a perpetual income interest as beneficiary and for which there is an external trustee. These assets are carried at fair value based upon the present value of amounts anticipated to be received, using discount rates commensurate with the expected term to receipt of the assets. The change in the fair value of trust contributions receivable is reflected in the change in value of split-interest agreements for net assets with donor restrictions in the consolidated statements of changes in net assets. As of December 31, 2018, the valuation technique utilizes published actuarial life expectancies ranging from 3.96 to 13.19 years, and discount rates ranging from 4.4% to 4.6%. As of December 31, 2017, the valuation technique utilizes published actuarial life expectancies ranging from 3.87 to 13.19 years, and discount rates ranging from 4.3% to 4.9%.

***(dollars in thousands)***

### Contributions

Contributions, which may include unconditional promises to give (pledges), are recognized at fair value as revenues in the period received or unconditionally pledged. Contributions with donor-imposed restrictions that are met in the same year as received are reported as donor restricted and reclassified to net assets without donor restrictions to reflect the expiration of such restrictions. Donated securities, real property and contributions in kind are recorded at fair value at the date of contribution. Contributions are derived primarily from donors in Northern California.

Contributions of trust interests in which SSNC serves as the trustee are recognized at fair value in the period of receipt. Fair value is determined based upon the difference between the fair value of the assets received and the fair value of the estimated liability to beneficiaries. Contributions of trust interests in which the assets are invested and administered by outside trustees are recorded at fair value when notice of the interest is received.

### Continuing Care Contracts

Sequoia Living has entered into continuing care contracts with the residents of its continuing care facilities. Under the provision of these contracts, residents are required to pay an entrance fee and periodic monthly fees (resident fees) for services and the use of facilities. The resident fees are subject to adjustment for changes in operating costs or other economic reasons. Sequoia Living is obligated to provide long-term care.

Sequoia Living provides three types of continuing care contracts to its residents: fully amortizable, fee for service continuing care, and fee for service continuing care - repayment option. Under the fully amortizable contract, entrance fees are one-time payments made by residents of the continuing care facilities that, in addition to monthly care fees, provide for living accommodations and are recorded as deferred revenue when received and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Life Expectancies tables from Health and Safety Code for single residents and an actuarially-prepared joint life expectancy table for married residents.

Under the fully amortizable and fee for service continuing care contracts, Sequoia Living is contractually obligated to refund to a vacating resident the entrance fee received less an amount equal to 1.5% of the entrance fee for each month of residency. No refund is made after 5-1/2 years of occupancy. In the event of death or involuntary termination, Sequoia Living is obligated to refund a portion of the entrance fee determined as follows (based on the time transpired since the initial date of resident occupancy):

| | |
|---|---|
| Fewer than 90 days | 90 % |
| More than 90, less than one year | 75 % |
| More than one year, less than two years | 50 % |
| More than two years, less than three years | 25 % |
| More than three years | 0 % |

On December 31, 2018 and 2017, $70,278 and $74,353 in entrance fees, respectively, were potentially subject to refund.

Under the fee for service continuing care - repayment options of 90% or 75%, residents pay a higher entrance fee, 90% or 75% of which will be refunded when the unit is resold. The "refundable deposit" portion of the entrance fee subject to repayment is recorded as a liability and the remaining 10% or 25% is recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Life Expectancies tables from Health and Safety Code for single residents and an actuarially-prepared joint life expectancy table for married residents. For VSL, since the facility is still under construction, the refundable deposit of the entrance fee and waitlist deposit are subject to full refundability until the resident moves in. Therefore, for VSL full refundable deposit amount is recorded as an asset and liability.

Sequoia Living annually evaluates the need to accrue a liability for losses related to the obligation to provide future services under continuing care contracts. A loss must be accrued if the estimated present value of the net cost of future services and use of facilities to be provided to current residents exceeds the amount of unamortized entrance fees. The obligation is equal to the present value of the estimated cash cost of providing care in excess of estimated periodic fees to be received from residents over the residents' life expectancies plus depreciation of the facilities used by residents. The obligation assumes that the annual increase in the cost of care will be 6.25% and 6.15% as of December 31, 2018 and 2017, respectively, and that the annual increase in monthly care fees will be 4.35% and 4.4% as of December 31, 2018 and 2017, respectively. For 2018 and 2017, an interest rate of 4.35%, was used to discount the cost of providing lifetime care in excess of resident fees. Based on the above, the cost of providing lifetime care in excess of monthly resident fees was $48,440 and $69,000 on a discounted basis, and $45,754 and $72,000 on an undiscounted basis, at December 31, 2018 and 2017, respectively. Since the present value of the net cost of future services and use of facilities was less than the amount of unamortized entrance fees as of December 31, 2018 and 2017, this calculation did not result in an additional liability.

**Revenue Recognition**
On January 1, 2018, Sequoia Living adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), and its related amendments using the modified retrospective transition method, which did not require the restatement of prior periods. The adoption did not result in a material change in the organization's accounting or have a material effect on the organization's financial position, including the measurement of revenue, the timing of revenue recognition and the recognition of contract assets, liabilities and related costs.

Revenue from contracts with customers is presented in "Total operating revenues, income, support and gains, net" to align with update on the statement of operations along with some activity that is accounted for outside the scope of ASC 606, which is not material to this line, on the Consolidated Statements of Operations. Those activities that are accounted for outside the scope of ASC 606 include funds received by Sequoia Living which are voluntary and unconditional un-reciprocal transfers as well as investment income including realized gains and losses on investments.

***Resident Fees***

Under the provision of continuing care contracts, residents are required to pay periodic monthly fees (resident fees) for services and the use of facilities. Resident fee revenue is reported at the amount that reflects the consideration Sequoia Living expects to receive in exchange for the services provided. Performance obligations are determined based on the nature of the services provided. Resident fee revenue is recognized monthly as services are provided and performance obligations are satisfied.

***Amortization of Entrance Fees Revenue***

Under the provision of continuing care contracts, residents are required to pay an entrance fee which are one-time payments made by residents of the continuing care facilities that, in addition to resident fees, provide for living accommodations. The performance obligation for nonrefundable entrance fees is that the organization is standing ready to provide a service such that the resident can continue to live in the CCRC and access the appropriate level of care based on his or her needs. This decision is at the discretion of the resident and is dependent on the resident's health and life span, along with his or her decision to continue to reside at the respective facility. The organization has determined that these are a series of distinct services that are considered one performance obligation which is satisfied over time. Therefore, the nonrefundable portion of the entrance fee is recorded as deferred revenue when received and amortized using the straight-line method over the estimated remaining life expectancy of the resident.

***Fees for Service and Other Revenue***

Under the provision of fee for service continuing care contracts, residents are required to pay an entrance fee, as well as additional fees for some services that are not covered by fee for service continuing care contracts. Additionally, the organization enters into separate contracts to provide outpatient services. Each service provided under these contracts is capable of being distinct, and thus, the services are considered individual and separate performance obligations which are satisfied as services are provided and revenue is recognized as services are provided.

The organization receives revenue for services under various third-party payor programs which include Medicare, Medicaid, and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The organization estimates the transaction price based on the terms of the contract with the payor, correspondence with the payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined. The total value of these retroactive adjustments in each period are not material.

**Investment Income**

Investment income includes interest and dividend income earned on investments, net realized gains and losses on sales of investments, other than temporary realized losses on investments and related investment counseling fees. Investment counseling fees were $168 and $145 for the years ended December 31, 2018 and 2017, respectively.

**Limited Use Assets**

Limited use assets include bond proceeds held for capital projects and debt service reserve funds held with a trustee in accordance with indenture requirements. The indenture terms require that the trustee control the expenditure of bond proceeds for capital projects.

**Investments Designated for Refundable Deposits**
Investments designated for refundable deposits are subject to repayment based the executed continuing care contract or deposit agreement. These funds are held in cash and cash equivalents.

**Administrative Service Fees**
SSNC manages its split interest agreements internally and assess a fee of 1% of trust assets per year.

**Change in Value of Split-Interest Agreements**
Changes in the value of split-interest agreements are the results of the following transactions and events related to SSNC's deferred gifts:

- Accretion of the discounts on previously received deferred gifts.
- Revaluations of expected future benefits to be received, net of income earned and market changes on deferred gift assets.
- Revaluations of expected future payments to beneficiaries, net of payments made, based on changes in life expectancy and other actuarial assumptions.

**Performance Indicator**
The performance indicator reported in the consolidated statement of operations is captioned "Excess (deficit) of operating revenues, income, gains and support, net, over expenses." The items excluded from the performance indicator are unrealized gains and losses from investments, non-periodic changes in pension liability, change in noncontrolling interest and change in contributed capital.

**Estimates**
The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include unamortized entrance fees, estimated future service obligations, pension liability, pledges and contributions receivable and the liability for payments to trust beneficiaries. Actual results may differ from those estimates.

***(dollars in thousands)***

## 3. Investment Securities

The composition of investment securities is set forth in the following table. The majority of these securities are held with four investment firms:

| | 2018 | 2017 |
|---|---|---|
| Money market fund | $ 5,361 | $ 6,299 |
| U.S. Government securities | 1,609 | 654 |
| Common stocks | 9,229 | 1,935 |
| Corporate fixed income securities | 1,836 | 11,099 |
| Equity mutual funds | 38,144 | 45,983 |
| Fixed income mutual funds | 33,008 | 31,644 |
| Total Marketable Securities | 89,187 | 97,614 |
| Investment in real estate fund | 2,888 | 2,660 |
| Total Investment Securities | $ 92,075 | $ 100,274 |

Operating investment income is comprised of the following for the years ended December 31:

| | 2018 | 2017 |
|---|---|---|
| Interest income | $ 5,310 | $ 2,579 |
| Net realized gains on sales of investments | 2,434 | 1,788 |
| Other than temporary impairment on investments | (614) | (270) |
| | $ 7,130 | $ 4,097 |

***(dollars in thousands)***

## 4. Facilities

Facilities at December 31, 2018 and 2017 consist of the following:

| | 2018 | 2017 |
|---|---|---|
| **Continuing Care Facilities** | | |
| Sequoias - SF | | |
| Land | $ 661 | $ 661 |
| Building and building equipment | 92,614 | 91,725 |
| Equipment and furniture | 8,831 | 8,189 |
| Less: Accumulated depreciation | (63,841) | (59,991) |
| | 38,265 | 40,584 |
| Sequoias - PV | | |
| Land | 303 | 303 |
| Building and building equipment | 81,811 | 75,746 |
| Equipment and furniture | 6,726 | 6,047 |
| Less: Accumulated depreciation | (39,044) | (36,571) |
| | 49,796 | 45,525 |
| Tamalpais - RVH | | |
| Land | 850 | 850 |
| Building and building equipment | 62,878 | 58,471 |
| Equipment and furniture | 8,780 | 8,119 |
| Less: Accumulated depreciation | (44,123) | (41,516) |
| | 28,385 | 25,924 |
| Continuing care facilities, net | 116,446 | 112,033 |
| **Residential housing** | | |
| Eastern Park Apartments | | |
| Land | 451 | 451 |
| Building and building equipment | 12,537 | 11,360 |
| Equipment and furniture | 871 | 1,072 |
| Less: Accumulated depreciation | (8,240) | (8,188) |
| | 5,619 | 4,695 |
| Residential housing, net | 5,619 | 4,695 |

***(dollars in thousands)***

| | 2018 | 2017 |
|---|---|---|
| **Other facilities** | | |
| The Woods | | |
| Land | 735 | 735 |
| Building and building equipment | 6,303 | 6,164 |
| Equipment and furniture | 579 | 545 |
| Less: Accumulated depreciation | (3,859) | (3,640) |
| | 3,758 | 3,804 |
| Corporate Office | | |
| Building and building equipment | 1,027 | 1,027 |
| Equipment and furniture | 8,767 | 8,892 |
| Less: Accumulated depreciation | (6,421) | (5,934) |
| | 3,373 | 3,985 |
| **SFSC** | | |
| Equipment and furniture | 536 | 536 |
| Less: Accumulated depreciation | (450) | (435) |
| | 86 | 101 |
| **VIAMONTE** | | |
| Land | 11,211 | - |
| Building and building equipment | 38,297 | 10,355 |
| | 49,508 | 10,355 |
| **SSNC** | | |
| Land | - | 11,211 |
| | - | 11,211 |
| **WPA L.P.** | | |
| Land | 425 | 425 |
| Building and building equipment | 28,605 | 28,462 |
| Equipment and furniture | 914 | 1,009 |
| Less: Accumulated depreciation | (7,598) | (6,856) |
| | 22,346 | 23,040 |
| **TPT L.P.** | | |
| Land | 1,429 | 1,429 |
| Building and building equipment | 33,968 | 33,968 |
| Equipment and furniture | 2,469 | 2,433 |
| Less: Accumulated depreciation | (10,273) | (9,387) |
| | 27,593 | 28,443 |
| Other facilities, net | 106,665 | 80,939 |
| Total facilities, net | $ 228,730 | $ 197,667 |

Total depreciation expense for the years ended December 31, 2018 and 2017, is $12,786 and $11,739, respectively.

***(dollars in thousands)***

Construction-in-progress of $48,279 and $12,138 as of December 31, 2018 and 2017, respectively are included in building and building equipment, and equipment and furniture above. Depreciation on these amounts will commence at the time the related assets are placed into service.

Asset retirement obligations are included as part of other long-term liabilities and a summary of these obligations is as follows:

| | 2018 | 2017 |
|---|---|---|
| **Beginning balances** | $ 3,579 | $ 4,355 |
| Accretion expense | 191 | (49) |
| Changes in estimated cash flows | 93 | (784) |
| Liabilities settled in the current period | (106) | 57 |
| **Ending balances** | $ 3,757 | $ 3,579 |

## 5. Investments Held in Trust

Investments held in trust are summarized below. The majority of these investments are held with one investment firm:

| | 2018 | 2017 |
|---|---|---|
| Money market fund | $ 1,144 | $ 385 |
| Fixed income mutual funds | 4,524 | 4,683 |
| Equity mutual funds | 7,741 | 8,673 |
| Corporate and government bonds | 20 | 35 |
| | $ 13,429 | $ 13,776 |

## 6. Pledges Receivable

Pledges receivable were due as follows as of December 31:

| | 2018 | 2017 |
|---|---|---|
| Current portion | $ - | $ 400 |
| Less: Allowance | - | (20) |
| Total current portion | $ - | $ 380 |
| Greater than one year to five years | $ 255 | $ 255 |
| Greater than five years to twenty years | 25 | 25 |
| | 280 | 280 |
| Less: Allowance | (14) | (14) |
| Less: Unamortized discount | (31) | (33) |
| Total noncurrent portion | $ 235 | $ 233 |

***(dollars in thousands)***

## 7. Investments Contractually Limited for Replacement, Development Deposit, and Net Operating Income Reserve

**Investments Contractually Limited for Replacement**
In connection with long-term debt agreements for Sequoia Living's residential housing facilities, HUD requires monthly deposits to a replacement account. Replacement accounts are held by Sequoia Living for EPA.

The investments for replacement are spent on improvements or repairs of structural elements and mechanical equipment of the facilities. Disbursements from the replacement accounts may be made upon receiving consent in writing from HUD.

**Net Operating Income Reserve**
Commencing on January 1, 2016 and continuing the first day of each month thereafter until the earlier of the conversion date or the date upon which the balance in the reserve reaches $568, TPT L.P. was required to deposit no less than $36 each month into the reserve. The reserve was held by Citibank until the conversion date. At conversion of the construction loan to permanent financing, Citibank applied amounts held in the reserve to principal, interest, and any other amounts due under the terms of the loan agreement. At the conversion date of October 24, 2017, the net operating income reserve was fully withdrawn to pay down the construction loan.

Earnings attributable to these investments accrue to the facility. As of December 31, 2018 and 2017, the investments consisted of the following:

| | 2018 | 2017 |
|---|---|---|
| Cash and certificates of deposits | $ 4,915 | $ 4,589 |
| United States Treasury securities | 909 | 908 |
| | $ 5,824 | $ 5,497 |

## 8. Limited Use Assets

Limited use assets at December 31 are held with under two institutions, Sequoia Living and VSL respectively. The composition of limited use assets at December 31, 2018 and 2017 for Sequoia Living and VSL, consisted solely of cash and cash equivalents.

| ***Revenue Bond Series 2015*** | 2018 | 2017 |
|---|---|---|
| California Health Facilities Financing Authority | | |
| Revenue Bond Series 2015 | | |
| Project fund | $ 692 | $ 1,604 |
| Principal and interest fund | 2,019 | 2,354 |
| Debt service reserve fund | 4,040 | 4,042 |
| | 6,751 | 8,000 |
| Less: Current portion | (2,711) | (3,960) |
| | $ 4,040 | $ 4,040 |

***(dollars in thousands)***

| ***Revenue Bond Series 2018*** | **2018** | **2017** |
|---|---|---|
| California Health Facilities Financing Authority | | |
| Revenue Bond Series 2018 | | |
| Project fund | $ 140,823 | $ - |
| Principal and interest fund | 13,962 | - |
| Debt service reserve fund | 5,799 | - |
| | 160,584 | - |
| Less: Current portion | (88,549) | - |
| | $ 72,035 | $ - |
| **Total Revenue Bonds** | $ 76,075 | $ 4,040 |

## 9. Long-Term Debt and Line of Credit

Long Term debt for Sequoia Living comprises the following at December 31:

| | **2018** | **2017** |
|---|---|---|
| **Sequoia Living** | | |
| Continuing care facilities | | |
| California Health Facilities Financing Authority | | |
| Revenue Bond Series 2015, Serial Bonds Payable through 2031 to 2044 in annual principal installments with interest ranging from 2-5% | $ 59,585 | $ 60,770 |
| Unamortized premium | 6,575 | 6,830 |
| Unamortized issuance costs | (2,934) | (3,049) |
| Continuing care facilities | 63,226 | 64,551 |
| **VSL** | | |
| California Health Facilities Financing Authority | | |
| Revenue Bond Series 2018, Series Bonds Payable | | |
| Series 2018A interest at 3.5-5% maturing in 2047 | 45,230 | - |
| Series 2018B-1 interest at 3% maturing in 2025 | 80,000 | - |
| Series 2018B-2 interest 3% maturing in 2026 | 39,000 | - |
| Series 2018B-3 interest 3% maturing in 2027 | 23,000 | - |
| | 187,230 | - |
| Unamortized premium | 3,879 | - |
| Unamortized issuance costs | (8,113) | - |
| VSL Total | 182,996 | - |

***(dollars in thousands)***

| | 2018 | 2017 |
|---|---|---|
| Residential housing | | |
| Eastern Park Apartments | | |
| HUD payable though 2020 in monthly installments of $51 including net interest at 6.9%, collateralized by a first deed of trust on EPA real estate. | 689 | 1,238 |
| Western Park Apartments L.P. | | |
| Citibank permanent loan, in monthly installments of $86 payable through 2045 including interest at 5.81%, collateralized by a first deed of trust on WPA L.P. real estate | 14,947 | 15,108 |
| Unamortized issuance costs | (682) | (710) |
| Town Park Towers L.P. | | |
| payable through 2051 in monthly installments including interest at 4.41% collateralized by first deed of trust | 22,669 | 22,954 |
| Unamortized issuance costs | (663) | (712) |
| Residential housing | 36,960 | 37,878 |
| Total debt | 283,182 | 102,429 |
| Less: Current portion | 2,298 | 2,192 |
| Total long-term debt | $ 280,884 | $ 100,237 |

As of December 31, 2018, all VSL debt is long term. First scheduled principal payments on long-term debt is in 2024.

Scheduled principal payments on long-term debt are as follows:

| | |
|---|---|
| 2019 | $ 2,298 |
| 2020 | 1,863 |
| 2021 | 1,851 |
| 2022 | 1,942 |
| 2023 | 2,039 |
| Thereafter | 275,127 |
| | $ 285,120 |

California Health Facilities Financing Authority requires a project fund for major capital improvements at Sequoia Living facilities. The remaining total project fund for use from the Revenue Bond Series 2015 has a balance of $692 and the total project fund for the Revenue Bond Series 2018 has a balance of $140,823 as of December 31, 2018.

The revenue bonds are insured by the State of California, through its Cal Mortgage Loan Program. Both agreement with Cal Mortgage includes a number of covenants including the following:

- Punctual payment
- Maintenance of records and filing of financial statements
- Payment of taxes
- Maintenance of exempt status
- Continuing disclosure

As of December 31, 2018, Sequoia Living and VSL were in compliance with all debt covenants. Sequoia Living's debt incurred in connection with its residential housing facilities includes covenants which require that these facilities be operated to provide housing for seniors whose income levels do not exceed certain thresholds. Rent increases are subject to approval and are limited to maintain affordability.

The most restrictive covenants of these loans are associated with compliance with the low income housing tax credit program under section 42 of the Internal Revenue Code as modified by the State of California and the provisions of section 202 of the National Housing Act. As of December 31, 2018, Sequoia Living was in compliance with these debt covenants.

On October 15, 2015, Citibank funded a construction loan on behalf of the City of San Jose (tax exempt bond issuer and governmental lender) in the amount of $45,000. TPT L.P. entered into an agreement with Citibank to borrow up to the $45,000 to acquire Town Park Towers and fund renovations. The construction loan used to construct improvements at Town Park Towers was paid down by TPT L.P. to $23,000 at the time of permanent conversion on October 24, 2017. Funds for the pay down of the construction loan were provided by a capital contribution from a limited partner investor.

**Lines of Credit**
Sequoia Living has lines of credit in the amount of $6 million in 2018 and 2017 with a bank, of which $4 million is collateralized by a gross revenue pledge and $2 million is unsecured. The lines of credit renew annually each July. At December 31, 2018 and 2017, Sequoia Living had an outstanding balance on these lines of credit of $2 and $0 million, respectively.

Sequoia Living has stand-by letters of credit totaling approximately $3 million to collateralize its obligations under a high deductible workers' compensation program as of December 31, 2018 and 2017, respectively, from the same bank that issued the lines of credit described above. No amounts were outstanding as of December 31, 2018 and 2017. The stand-by letters of credit restrict the availability of the lines of credit in that the total amount available at any one time from the letters of credit and lines of credit cannot exceed $6 million.

Sequoia Living is required to provide written notification to the bank of any material adverse change in its financial condition or operation. There were no such changes in 2018 or 2017.

***(dollars in thousands)***

## 10. Fair Value of Financial Instruments

The fair values of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2018 and 2017:

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets (Level 1) | Other Observable Inputs (Level 2) | Un-observable Inputs (Level 3) | NAV as Practical Expedient |
| Assets Measured at Fair Value on a Recurring Basis (1) | | | | | |
| Marketable Securities (2) | | | | | |
| Money Market Funds | $ 5,361 | $ 5,361 | $ - | $ - | $ - |
| US Govt Obligations | 1,609 | 1,609 | | | |
| Corporate Obligations | 1,836 | 1,836 | | | |
| Common Stock | 9,229 | 9,229 | | | |
| Mutual Funds Equity | 38,144 | 38,144 | | | |
| Mutual Funds Fixed | 33,008 | 33,008 | | | |
| Trust Contributions Receivable (3) | 978 | | | 978 | |
| Investment in Real Estate Fund (4) | 2,888 | | | | 2,888 |
| Investment held in Trust (2) | | | | | |
| Money Market Funds | 1,144 | 1,144 | | | |
| Mutual Funds Equity | 7,742 | 7,742 | | | |
| Mutual Funds Fixed | 4,524 | 4,524 | | | |
| Corporate Obligations | 20 | 20 | | | |
| | $ 106,483 | $ 102,617 | $ - | $ 978 | $ 2,888 |

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets (Level 1) | Other Observable Inputs (Level 2) | Un-observable Inputs (Level 3) | NAV as Practical Expedient |
| Assets Measured at Fair Value on a Recurring Basis (1) | | | | | |
| Marketable Securities (2) | | | | | |
| Money Market Funds | $ 6,299 | $ 6,299 | $ - | $ - | $ - |
| US Govt Obligations | 654 | 654 | | | |
| Corporate Obligations | 1,935 | 1,935 | | | |
| Common Stock | 11,099 | 11,099 | | | |
| Mutual Funds Equity | 45,982 | 45,982 | | | |
| Mutual Funds Fixed | 31,644 | 31,644 | | | |
| Trust Contributions Receivable (3) | 620 | | | 620 | |
| Investment in Real Estate Fund (4) | 2,660 | | | | 2,660 |
| Investment held in Trust (2) | | | | | |
| Money Market Funds | 385 | 385 | | | |
| Mutual Funds Equity | 8,673 | 8,673 | | | |
| Mutual Funds Fixed | 4,683 | 4,683 | | | |
| Corporate Obligations | 35 | 35 | | | |
| | $ 114,669 | $ 111,389 | $ - | $ 620 | $ 2,660 |

(1) For cash and cash equivalents, limited use assets and investments designated for refundable deposits, the net carrying value approximates fair value at period end.

***(dollars in thousands)***

(2) The fair values of marketable securities and investments held in trust which are included in the consolidated balance sheet are determined based on quoted market prices in active markets. The marketable securities consist of cash equivalents, U.S. government securities, common stocks, corporate fixed income securities, equity mutual funds, and fixed mutual funds as detailed in Note 3. The investments held in trust consist of cash equivalents, equity mutual funds, and fixed mutual funds at fair value with realized and unrealized gains and losses included in the statements of activities and changes in net assets

(3) The fair value of trust contributions receivable which is included in the consolidated balance sheet is determined using a present value calculation of expected future cash flows with assumptions for the risk-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.

(4) This investment includes securities held in a limited partnership in which Net Asset Value (NAV) as a practical expedient has been used. This investment has not been classified in the fair value hierarchy, and the amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet. The NAV is based on the total value of the securities held in the limited partnership per the December 31 fund statement. The NAV of the limited partnership equals the total assets of the fund less total liabilities of the fund. Total assets of the fund primarily include real estate assets and real estate owned in joint ventures. The value of real estate assets are established by independent appraisals as of December 31. Real estate assets owned in joint ventures are carried at the Fund's ownership share before the impact of promote structures. Total liabilities of the fund primarily include mortgage notes payable and senior notes payable, both of which are carried by the Fund at fair value. Disclosure to and consent by the general partner is required for redemption, transfer or assignment of any of the investment.

There were no transfers of assets or liabilities between Level 1 and Level 2 during the years ended December 31, 2018 and 2017.

The change in value of the trust contributions receivable valued using significant unobservable inputs (Level 3) is shown below:

| | | |
|---|---|---|
| **Fair value at January 1, 2018** | $ | 620 |
| New contributions | | 161 |
| Maturities | | (4) |
| Total net unrealized gains included in changes in net assets | | 1,309 |
| Total net realized losses included in changes in net assets | | (1,108) |
| **Fair value at December 31, 2018** | $ | 978 |
| Total gains (losses) for the year included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2018 | $ | (100) |

***(dollars in thousands)***

| | | |
|---|---|---|
| **Fair value at January 1, 2017** | $ | 643 |
| New contributions | | 450 |
| Maturities | | (195) |
| Total net unrealized gains included in changes in net assets | | (118) |
| Total net realized losses included in changes in net assets | | (160) |
| **Fair value at December 31, 2017** | $ | 620 |
| Total gains (losses) for the year included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2017 | $ | (365) |

## 11. Pension Plan

Sequoia Living sponsors a noncontributory defined benefit pension plan covering employees who work 1,000 hours or more. The benefits are generally based on an employee's average salary in the last five years of employment and years of service. Sequoia Living funds the pension plan in accordance with the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). Contributions to the Plan are determined under the projected unit credit cost method and are made each year in an amount at least equal to the minimum requirements of ERISA.

Plan assets less than the projected benefit obligation were as follows:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Projected benefit obligation at December 31 | $ | (72,436) | $ | (81,244) |
| Fair value of plan assets at December 31 | | 60,705 | | 70,079 |
| Funded status | $ | (11,731) | $ | (11,165) |

Amounts recognized in the consolidated balance sheet at December 31 consist of:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Pension liability | $ | 11,731 | $ | 11,165 |
| Noncurrent liability | $ | 11,731 | $ | 11,165 |

The accumulated benefit obligation is $67,035 and $74,978 as of December 31, 2018 and 2017, respectively.

***(dollars in thousands)***

The assumptions used in determining the actuarial present value of the projected benefit obligation were as follows:

| | 2018 | 2017 |
|---|---|---|
| **Weighted-average assumptions used to determine benefit obligations** | | |
| Discount rate | 4.40 % | 3.80 % |
| Rate of compensation increase | 3.00 % | 3.00 % |
| **Weighted-average assumptions used to determine net periodic benefit cost for years ended** | | |
| Discount rate | 3.80 % | 4.35 % |
| Expected long-term return on plan assets | 7.00 % | 7.00 % |
| Rate of compensation increase | 6.00 % | 4.39 % |

Net periodic pension cost for 2018 and 2017 was determined by an independent actuary and is calculated using a prescribed attribution method, based on acceptable actuarial assumptions, which are adjusted periodically to reflect actual experience. Sequoia Living uses a December 31 measurement date for the above defined benefit plan. Pension cost is summarized as follows:

| | 2018 | 2017 |
|---|---|---|
| Benefit cost | $ 1,343 | $ 1,836 |
| Employer contributions | 1,903 | 2,800 |
| Benefits paid | 2,729 | 2,462 |

Components of net periodic benefit cost at December 31 were as follows:

| | 2018 | 2017 |
|---|---|---|
| Service cost | $ 2,671 | $ 2,242 |
| Interest cost | 2,734 | 2,683 |
| Expected return on plan assets | (4,868) | (4,145) |
| Amortization of net loss | 806 | 1,056 |
| Net periodic benefit cost | $ 1,343 | $ 1,836 |

The amounts included in unrestricted net assets, that have not yet been recognized as components of net periodic benefit cost as of December 31 were as follows:

| | 2018 | 2017 |
|---|---|---|
| Net actuarial loss | $ 15,867 | $ 14,741 |
| | $ 15,867 | $ 14,741 |

***(dollars in thousands)***

The net actuarial losses and prior service costs recognized as other changes in unrestricted net assets and representing amounts not previously recognized in net periodic benefit costs for the year ended December 31, are as follows:

| | 2018 | 2017 |
|---|---|---|
| Net actuarial (gains) losses | $ 1,932 | $ (1,584) |
| Amortization of actuarial gains (losses) | (806) | (1,056) |
| | $ 1,126 | $ (2,640) |

The net actuarial losses and prior service costs expected to be recognized as other changes in unrestricted net assets during the fiscal year ended December 31, 2018 are as follows:

| | |
|---|---|
| Net actuarial losses and prior service costs | $ 1,014 |

Projected benefits payments for the plan are as follows:

| | |
|---|---|
| 2019 | $ 3,466 |
| 2020 | 3,676 |
| 2021 | 3,826 |
| 2022 | 3,996 |
| 2023 | 4,228 |
| 2024-2028 | 24,089 |

Sequoia Living expects to contribute $2,000 to its pension plan in 2019.

Plan assets are invested with an appointed custodian. The contract with the custodian allows for investments in equity, money market, mutual fund and real estate investments under the direction of Sequoia Living plan assets are invested with the objective of achieving a long-term rate of return of 7.00%. This is achieved through investment in a mix of equity and fixed income investments, with targeted allocations of 70% equity instruments and 30% fixed income instruments. Over time, equity investments are expected to return 8.00%, while fixed income investments are expected to return 4.67%. This produces an expected composite long term return on investment of 7.00%. Plan assets as of December 31, 2018 and 2017 were invested as follows:

| | 2018 | 2017 |
|---|---|---|
| Cash and cash equivalents | $ 651 | $ 664 |
| Common stocks | 8,282 | 11,645 |
| Equity mutual funds | 32,572 | 38,819 |
| Fixed income mutual funds | 19,200 | 18,951 |
| | $ 60,705 | $ 70,079 |

Equity mutual funds held in the plan assets invest in common stocks of companies based either inside or outside the United States, including some small-capitalization companies. The primary objective is to provide growth of capital. Fixed income mutual funds held in the plan assets primarily invest in a diversified portfolio of high-quality bonds and other fixed income securities of varying maturities.

For 2018 and 2017, plan assets are stated at fair value using level 1 inputs within the fair value hierarchy. Cash equivalents and mutual funds are valued at quoted market prices on an exchange and active markets. Common stocks are valued at the last sale price on the last business day of the plan year, as quoted on a recognized exchange or an industry standard pricing service.

Sequoia Living also sponsors a defined contribution tax-sheltered annuity plan for substantially all of its full-time employees. The Tax Sheltered Annuity Plan was amended effective January 1, 2012, consistent with guidance under Treasury Regulation Section 1.403(b)-10 to delete Section 7.01(b) of the plan, which provided that a complete discontinuance of contributions under the plan would constitute termination of the plan. Consistent with IRS guidance, the plan is considered a frozen plan, and all provisions remain in effect until Sequoia Living determines to take further action, except that new contributions will not be made to the plan. Effective as of the first payroll date on or after January 1, 2012, consistent with amendments to the plan, contributions to the plan were discontinued and contributions began being made to a new 403(b) plan. The new 403(b) plan permits contributions which can be matched at the discretion of Sequoia Living. Total employer contribution for the years ended December 31, 2018 and 2017, is $1.9 million and $2.8million, respectively.

Effective July 1, 2012, Sequoia Living changed the formula used to calculate Defined Benefit Pension Plan benefits in order to allow for more stable expenses while maintaining a competitive retirement benefits program for its employees. Sequoia Living also started contributing 2.5% of compensation to eligible employees each pay period, as part of its new 403(b) plan.

Effective January 1, 2016, Sequoia Living adopted the spot rate approach to determine the discount rate utilized to measure the service cost and interest cost components of net periodic pension and other postretirement benefit costs. Under the spot rate approach, Sequoia Living calculates service cost and interest cost by applying individual spot rates from the “Buck Above Median Yield Curve” to the separate expected cash flow components of service cost and interest cost; service cost and interest cost for all other plans (including all plans prior to adoption) are determined on the basis of the single equivalent discount rates derived in determining those plan obligations. Sequoia Living accounted for this change as a change in accounting estimate and it was applied prospectively starting in 2016. Sequoia Living matched the Retirement Plan projected cash flows with the “Buck Above Median Yield Curve” to determine a single equivalent rate which was used for determining the following year’s service cost and interest cost for the plan. The single equivalent rate used for determining the following year’s service and interest cost value for 2018 is 3.42%.

***(dollars in thousands)***

## 12. Endowments

SSNC's endowment consists of donor-restricted funds established for a variety of purposes. The purpose restrictions consist of financial assistance, meal subsidies, improvements to the quality of life to residents of certain Sequoia Living facilities and maintenance of a resident garden. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**
The Board of Trustees of SSNC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, Sequoia Living classifies as donor-restricted endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and the appropriation of all investment income on the endowment funds for expenditure.

The net asset composition for donor restricted endowment funds by type of fund as of December 31 is as follows:

| **Donor-restricted endowment funds** | **2018** | **2017** |
|---|---|---|
| Tomorrow Fund | $ 10,651 | $ 10,630 |
| Other | 643 | 643 |
| | $ 11,294 | $ 11,273 |

Changes in endowment net assets for the fiscal year ended December 31 are as follows:

| | **2018** | **2017** |
|---|---|---|
| **Endowment net assets with donor restrictions, January 1** | $ 11,273 | $ 10,443 |
| Investment return | | |
| Investment income | 526 | 513 |
| Net appreciation (realized and unrealized) | (798) | 177 |
| Total investment return | (272) | 690 |
| Contributions | 299 | 146 |
| Appropriation of endowment assets for expenditure | (6) | (6) |
| **Endowment net assets with donor restrictions, December 31** | $ 11,294 | $ 11,273 |

The amounts contributed to Sequoia Living's endowment funds have been retained permanently by explicit donor stipulation and the fair values of the original gifts have been preserved in accordance with UPMIFA. Sequoia Living does not hold term endowment funds or perpetual endowment funds subject to time restrictions.

***(dollars in thousands)***

**Funds With Deficiencies**
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Sequoia Living to retain as a fund of perpetual duration. The organization had no deficiencies of this nature in its endowment funds as of December 31, 2018 and 2017.

**Return Objectives and Risk Parameters**
Sequoia Living has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the original gift value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the Consumer Price Index by 3.25% annually, on average, while assuming a moderate level of investment risk. Sequoia Living expects its endowment funds, over time, to provide an average rate of return of at least 6.25% annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**
To satisfy its long-term rate-of-return objectives, Sequoia Living relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The organization targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**
Sequoia Living has a policy of appropriating the endowment fund's investment income for expenditure as the income is earned. In establishing this policy, the organization considered the long-term expected return on its endowment. This is consistent with the organization's objective to maintain the original gift value of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns.

## 13. Net Assets

Sequoia Living's net assets with donor restrictions include endowments and other donor-restricted funds established for a variety of purposes as described under endowments. The composition for net assets with donor restrictions is as follows:

| | 2018 | 2017 |
|---|---|---|
| Tommorrow fund | $ 14,487 | $ 14,938 |
| Other funds | 6,765 | 7,370 |
| Planned gifts | 6,203 | 6,086 |
| Total net assets with donor restrictions | $ 27,455 | $ 28,394 |

There are no Board designated net assets without donor restrictions.

***(dollars in thousands)***

## 14. Functional Expense

The following reflects the expenditures made by Sequoia Living net of amounts funded by grants and other donation support for the years ended December 31, 2018 and 2017:

**Functional Expense 2018**

| | Program Services | | | | Supporting Services | |
|---|---|---|---|---|---|---|
| | Housing | Food Service | Health Service | Other Program Services | Management and General | Total |
| Salary and benefit | $ 11,649 | $ 9,699 | $ 13,232 | $ 10,619 | $ 6,261 | $ 51,461 |
| Operating and admin | 3,445 | 2,868 | 3,913 | 3,141 | 1,852 | 15,220 |
| Skilled service | | | 2,854 | - | - | 2,854 |
| Supplies | 1,593 | 1,326 | 1,809 | 1,452 | 856 | 7,037 |
| Maintenance | 1,511 | 1,258 | 1,716 | 1,377 | 812 | 6,675 |
| Utilities | 967 | 805 | 1,098 | 882 | 520 | 4,272 |
| Interest | 9,699 | - | - | - | - | 9,699 |
| Depreciation | 12,251 | - | - | - | 535 | 12,786 |
| | $ 41,115 | $ 15,957 | $ 24,624 | $ 17,471 | $ 10,836 | $ 110,003 |

**Functional Expense 2017**

| | Program Services | | | | Supporting Services | |
|---|---|---|---|---|---|---|
| | Housing | Food Service | Health Service | Other Program Services | Management and General | Total |
| Salary and benefit | $ 12,814 | $ 9,044 | $ 11,857 | $ 10,184 | $ 4,881 | $ 48,780 |
| Operating and admin | 3,384 | 2,388 | 3,131 | 2,689 | 1,289 | 12,882 |
| Skilled service | | | 3,521 | | | 3,521 |
| Supplies | 1,578 | 1,113 | 1,460 | 1,254 | 601 | 6,006 |
| Maintenance | 1,993 | 1,406 | 1,844 | 1,584 | 759 | 7,585 |
| Utilities | 1,341 | 946 | 1,241 | 1,066 | 511 | 5,104 |
| Interest | 5,049 | - | - | - | - | 5,049 |
| Depreciation | 11,243 | - | - | - | 496 | 11,739 |
| | $ 37,401 | $ 14,898 | $ 23,054 | $ 16,777 | $ 8,537 | $ 100,667 |

The financial statements report certain categories of expenses that are attributable to more than one program or support services. Programs include area such as activities, transportation and wellness. The expenses are allocated based on location and related overhead costs while other expenses such as salaries and benefits are based on actual department categories.

## 15. Liquidity and Availability of Financial Assets

Sequoia Living financial assets available within one year of the balance sheet date for general expenditures are as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 5,795 |
| Marketable securities | 89,187 |
| Accounts, notes and interest receivable | 5,491 |
| Prepaid expenses and other assets | 1,757 |
| | $ 102,230 |

***(dollars in thousands)***

Sequoia Living's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, Sequoia Living has a line of credit of $2 million. See Note 9 for more information on the line of credit at December 31. Additionally, limited use assets, current of $91 million although not broadly used for general expenditures are managed for project expenditures as described in Note 8.

## 16. Noncontrolling Interest

The change in noncontrolling interest in WPA L.P. and TPT L.P. is shown below:

| | WPA L.P. | TPT L.P. | Total |
|---|---|---|---|
| **Noncontrolling interest at January 1, 2017** | $ 10,596 | $ 945 | $ 11,541 |
| Capital contributions | 530 | 23,070 | 23,600 |
| Net income (loss) | (849) | (667) | (1,516) |
| Attributed net loss | (849) | (667) | (1,516) |
| **Noncontrolling interest at December 31, 2017** | $ 10,277 | $ 23,348 | $ 33,625 |

| | WPA L.P. | TPT L.P. | Total |
|---|---|---|---|
| **Noncontrolling interest at December 31, 2017** | $ 10,277 | $ 23,348 | $ 33,625 |
| Capital contributions | (2) | 1 | (1) |
| Net income (loss) | (770) | (548) | (1,318) |
| Attributed net loss | (770) | (548) | (1,318) |
| **Noncontrolling interest at December 31, 2018** | $ 9,505 | $ 22,801 | $ 32,306 |

## 17. Commitments and Contingencies

Sequoia Living is involved in certain routine matters of litigation related to its operations. Management does not expect any material impact on the financial position from any such matters; however, due to the inherent uncertainties in litigation, it is possible that amounts ultimately paid, if any, may exceed management's expectations.

As of December 31, 2018, Sequoia Living had a number of capital projects ongoing. Sequoia Living and VSL has entered into various contracts in relation to these capital projects. The total commitments of December 31, 2018 is $103,587.

Sequoia Living is a recipient of federal awards. These awards are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantors, if any, cannot be determined at this time, although Sequoia Living expects such amounts, if any, to be immaterial.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include but are not necessarily limited to the matters such as licensure, accreditation, government healthcare program participation requirements, and Medicare fraud and abuse.

## 18. Subsequent Events

Sequoia Living has evaluated subsequent events through May 30, 2019, which is the date the financial statements were issued, and has identified the following subsequent event:

On February 6, 2019, amendments to the articles of incorporation of Northern California Presbyterian Homes and Services, Inc. took effect and the corporation's name was changed to Sequoia Living, Inc.

# Supplementary Information
# (Unaudited)

# Sequoia Living, Inc.
**(Formerly known as Northern California Presbyterian Homes and Services, Inc.)**
## Consolidating Balance Sheet (Unaudited)
## December 31, 2018
***(dollars in thousands)***

| | 2018 | | | |
|---|---|---|---|---|
| | Sequoia Living | VSL | SSNC | Consolidated |
| **Assets** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | $ 5,113 | $ 58 | $ 624 | $ 5,795 |
| Marketable securities | 64,598 | - | 24,589 | 89,187 |
| Accounts, notes and interest receivable | 4,872 | 614 | 4 | 5,491 |
| Pledges receivable, net of allowance | - | - | - | - |
| Limited use assets, current | 2,711 | 88,549 | - | 91,259 |
| Prepaid expenses and other assets | 1,757 | - | - | 1,757 |
| Total current assets | 79,052 | 89,221 | 25,217 | 193,489 |
| Investments contractually limited for replacement reserves on properties financed by HUD | 5,824 | - | - | 5,824 |
| Investments held in trust | - | - | 13,429 | 13,429 |
| Investments, other | 2,888 | - | - | 2,888 |
| Trust contributions receivable | - | - | 978 | 978 |
| Pledges receivable, noncurrent | - | - | 235 | 235 |
| Investments designated for refundable deposits | - | 15,113 | - | 15,113 |
| Limited use assets, noncurrent | 4,040 | 72,035 | - | 76,075 |
| Deferred cost | - | 1,623 | - | 1,623 |
| Facilities, net of accumulated depreciation | 179,222 | 49,508 | - | 228,730 |
| | 191,974 | 138,280 | 14,642 | 344,896 |
| Total assets | $ 271,026 | $ 227,500 | $ 39,859 | $ 538,385 |
| **Liabilities and Net Assets** | | | | |
| Current liabilities | | | | |
| Accounts payable | $ 4,698 | $ 4,698 | $ 57 | $ 9,453 |
| Payroll and related taxes payable | 6,238 | - | 65 | 6,303 |
| Line of credit - unsecured | 2,000 | - | - | 2,000 |
| Current portion of long term debt | 2,298 | - | - | 2,298 |
| Accrued interest payable | 1,453 | 3,098 | - | 4,551 |
| Refundable deposits | 1,035 | 15,113 | - | 16,148 |
| Entrance fees paid in advance | 967 | - | - | 967 |
| Due to (from) related party | (758) | 758 | - | - |
| Total current liabilities | 17,931 | 23,667 | 122 | 41,719 |
| Long term debt, less current portion | 97,887 | 182,996 | - | 280,884 |
| Liability on refundable contracts | 16,169 | - | - | 16,169 |
| Liability for payments to trust beneficiaries | - | - | 6,177 | 6,177 |
| Pension liability | 11,731 | - | - | 11,731 |
| Unamortized entrance fees | 124,344 | - | - | 124,344 |
| Other long-term liabilities | 3,756 | - | 1,279 | 5,035 |
| | 253,889 | 182,996 | 7,456 | 444,341 |
| Total liabilities | 271,820 | 206,663 | 7,578 | 486,060 |
| Net assets | | | | |
| Net assets without donor restrictions | | | | |
| Controlling Interest | (7,900) | (4,363) | 4,826 | (7,437) |
| Noncontrolling interest | 32,306 | - | - | 32,306 |
| Contributed Capital | (25,200) | 25,200 | - | - |
| Total net assets without donor restriction | (794) | 20,837 | 4,826 | 24,870 |
| Net assets with donor restrictions | - | - | 27,455 | 27,455 |
| Total net assets | (794) | 20,837 | 32,281 | 52,325 |
| Total liabilities and net assets | $ 271,026 | $ 227,500 | $ 39,859 | $ 538,385 |

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

# Sequoia Living, Inc.
### (Formerly known as Northern California Presbyterian Homes and Services, Inc.)
## Consolidating Statement of Operations (Unaudited)
## December 31, 2018
***(dollars in thousands)***

| | 2018 | | | |
|---|---|---|---|---|
| | Sequoia Living | VSL | SSNC | Consolidated |
| **Operating revenues, income, gains, and support, net** | | | | |
| Operating revenues, income and gains | | | | |
| Resident fees | $ 66,137 | $ - | $ - | $ 66,137 |
| Amortization of entrance fees | 17,957 | - | - | 17,957 |
| Fees for services and other income | 17,452 | - | - | 17,452 |
| Investment income including realized gains and losses on investments | 4,726 | 2,059 | 345 | 7,130 |
| Administrative service fees | - | - | 121 | 121 |
| | 106,272 | 2,059 | 466 | 108,797 |
| Support | | | | |
| Contributions | - | - | 319 | 319 |
| Net assets released from restrictions | - | - | 1,574 | 1,574 |
| Total operating revenues, income, gains, and support, net | 106,272 | 2,059 | 2,359 | 110,690 |
| **Expenses** | | | | |
| Program expenses | | | | |
| Housing | | | | |
| Program | 19,164 | - | - | 19,164 |
| Interest expense | 4,714 | 4,986 | - | 9,699 |
| Depreciation | 12,251 | - | - | 12,251 |
| Food service | 15,957 | - | - | 15,957 |
| Health care | 24,624 | - | - | 24,624 |
| Other program services | 16,759 | 712 | - | 17,472 |
| | 93,469 | 5,698 | - | 99,167 |
| Program support expense | | | | |
| Administration | 9,651 | 650 | - | 10,301 |
| Depreciation | 535 | - | - | 535 |
| | 10,186 | 650 | - | 10,836 |
| Total expenses | 103,655 | 6,348 | - | 110,003 |
| Excess of operating revenues, gains and support over expenses | 2,617 | (4,289) | 2,359 | 687 |
| Other changes | | | | |
| Unrealized gains (losses) on investments | (6,847) | 50 | (527) | (7,324) |
| Grants transferred for programs and facilities | 2,445 | - | (2,445) | - |
| Change in additional minimum pension liability | (1,261) | - | - | (1,261) |
| Change in contributed capital | (2,273) | 2,273 | - | - |
| Changes in noncontrolling interest | - | - | - | - |
| Other | (66) | 22 | - | (44) |
| Change in net assets without donor restrictions | (5,385) | (1,944) | (613) | (7,942) |
| **Net assets without donor restrictions** | | | | |
| Beginning of year | 4,591 | 22,781 | 5,439 | 32,811 |
| End of year | $ (794) | $ 20,837 | $ 4,826 | $ 24,869 |

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

# Sequoia Living, Inc.
### (Formerly known as Northern California Presbyterian Homes and Services, Inc.)
## Consolidating Statement of Changes in Net Assets (Unaudited)
## December 31, 2018
***(dollars in thousands)***

| | 2018 | | | |
|---|---|---|---|---|
| | **Sequoia Living** | **VSL** | **SSNC** | **Consolidated** |
| **Net assets without donor restrictions** | | | | |
| Excess operating revenues, income, gains and support, net, over expenses | $ 2,617 | $ (4,289) | $ 2,359 | $ 687 |
| Unrealized gains (losses) on investments | (6,847) | 50 | (527) | (7,324) |
| Grants transferred for programs and facilities | 2,445 | - | (2,445) | - |
| Change in minimum pension liability | (1,261) | - | - | (1,261) |
| Change in Contributed capital | (2,273) | 2,273 | - | - |
| Other | (65) | 22 | - | (43) |
| Change in net assets without donor restrictions | (5,385) | (1,944) | (613) | (7,941) |
| **Net assets with donor restrictions** | | | | |
| Contributions | - | - | 1,907 | 1,907 |
| Investment income | - | - | 1,458 | 1,458 |
| Change in value of split-interest agreements | - | - | (515) | (515) |
| Unrealized gains from investments | - | - | (2,215) | (2,215) |
| Net assets released from restrictions | - | - | (1,574) | (1,574) |
| Change in net assets with donor restrictions | - | - | (939) | (939) |
| Change in net assets | (5,385) | (1,944) | (1,552) | (8,880) |
| **Net assets** | | | | |
| Beginning of year | 4,591 | 22,781 | 33,833 | 61,205 |
| End of year | $ (794) | $ 20,837 | $ 32,281 | $ 52,325 |

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

# Sequoia Living, Inc.
### (Formerly known as Northern California Presbyterian Homes and Services, Inc.)
## Consolidating Statement of Cash Flows (Unaudited)
## December 31, 2018
***(dollars in thousands)***

| | 2018 | | | |
|---|---|---|---|---|
| | Sequoia Living | VSL | SSNC | Consolidated |
| **Cash flows from operating activities** | | | | |
| Cash received from entrance fees | $ 17,964 | $ - | $ - | $ 17,964 |
| Cash received from resident fees | 66,114 | - | - | 66,114 |
| Cash received from services and other income | 17,296 | - | - | 17,296 |
| Cash received from contributions | - | - | 3,243 | 3,243 |
| Cash received/paid for grants and support | 2,445 | - | (2,482) | (37) |
| Investment income | 4,617 | 1,495 | 1,802 | 7,915 |
| Interest paid | (4,825) | (637) | - | (5,462) |
| Cash paid to employees and suppliers | (83,555) | (1,809) | - | (85,364) |
| Cash contribution to defined benefit plan | (1,900) | - | - | (1,900) |
| Settlement of ARO liabilities | (297) | - | - | (297) |
| Other | 118 | 22 | - | 141 |
| Cash provided by (used in) operating activities | 17,977 | (929) | 2,564 | 19,612 |
| **Cash flows from investing activities** | | | | |
| Proceeds from sale and maturities of investments | 14,314 | - | 3,649 | 17,963 |
| Purchase of investments funds from bond proceeds | - | (181,743) | - | (181,743) |
| Sale of investments | | 21,159 | - | 21,159 |
| Purchase of investments | (12,859) | (7,692) | (7,536) | (28,087) |
| Sale of investments held for refundable deposits | - | 2,568 | - | 2,568 |
| Purchase of property and equipment | (16,786) | (23,245) | - | (40,031) |
| Cash provided by (used in) investing activities | (15,331) | (188,953) | (3,887) | (208,170) |
| **Cash flows from financing activities** | | | | |
| Payment of long term debt and notes payable | (2,178) | - | - | (2,178) |
| Proceeds from line of credit | 2,000 | - | - | 2,000 |
| Issuance of debt | - | 191,365 | - | 191,365 |
| Payment of Debt Issuance Costs | - | (9,620) | - | (9,620) |
| Proceeds from endowment contributions | - | - | 299 | 299 |
| Proceeds from contributions held in trust | - | - | 545 | 545 |
| Payments to trust beneficiaries | - | - | (881) | (881) |
| Proceeds from refundable deposits | 97 | 7,483 | - | 7,580 |
| Proceeds from refundable entrance fees | 2,826 | - | - | 2,826 |
| Proceeds from limited partner equity | (2,273) | 2,273 | - | - |
| Proceeds from (payments by) related party | (758) | 758 | - | - |
| Refunds of entrance fees paid | (3,859) | (2,568) | - | (6,427) |
| Investment income from investments for refundable deposits | - | 209 | - | 209 |
| Investment income from marketable securities held in trust | - | - | 918 | 918 |
| Cash provided by (used in) financing activities | (4,145) | 189,900 | 881 | 186,636 |
| Net increase (decrease) in cash and cash equivalents | (1,499) | 19 | (442) | (1,922) |
| Beginning of year | 6,612 | 38 | 1,067 | 7,717 |
| End of year | $ 5,113 | $ 58 | $ 624 | $ 5,795 |
| **Non cash transactions** | | | | |
| Changes in fixed asset additions included in accounts payable | $ (879) | $ 4,698 | $ - | $ 3,819 |

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

### 1. Basis of Presentation

The consolidating information is not a required part of the financial statements. The accompanying consolidating information was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The first column, Sequoia Living alone represents the parent entity without consolidation of its direct or indirect subsidiaries listed in the next columns. VSL and SSNC are described in Note 1 of the consolidated financial statements under Corporate Structure.

The consolidating information is prepared to clarify continuing disclosure as required by Municipal Securities Rulemaking Board (MSRB) through Electronic Municipal Market Access (EMMA) in connection with the issuance of revenue bonds described in Note 9 for Sequoia Living and VSL.

### 2. Related Party Transactions

SSNC borrowed $10,000 from a third party in 2015 in connection with the purchase of a parcel of land in Walnut Creek, California on behalf of Sequoia Living, as a site for the development of a new continuing care retirement community. Sequoia Living agreed to reimburse SSNC for any costs incurred by SSNC to acquire and hold the land.

In 2016 Sequoia Living formed a new not for profit corporation, VSL, for which Sequoia Living is the sole corporate member, to develop, construct and operate the new community.

In 2017, VSL paid SSNC $11.2 million to acquire the land from SSNC under a purchase and sale agreement with SSNC, Sequoia Living and VSL. Although SSNC received the payment in 2017, title to the land was not transferred to VSL, and settlement of the related party transfer did not occur until March 2018.

**Report of Independent Auditors**

To the Board of Directors of
Sequoia Living, Inc.

We have audited the consolidated financial statements of Sequoia Living, Inc. formerly known as Northern California Presbyterian Homes and Services, Inc. and its subsidiaries (the "Organization") as of and for the year ended December 31, 2018 and our report thereon, which included a paragraph describing a change in the manner in which the Organization presents net assets and reports certain aspects of its financial statements as a not-for-profit entity and in which we indicated the extent of our reliance on the report of other auditors, appears on page 1 of Part 4 of this document. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary financial information on pages 44 through 46 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

San Francisco, California
May 30, 2019

*PricewaterhouseCoopers LLP, Three Embarcadero Center, San Francisco, CA 94111-4004*
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## Sequoia Living, Inc.
**Details of Operations**
**Sequoias – San Francisco**
**For the years ended December 31, 2018 and 2017**
**(dollars in thousands)**

| | 2018 | 2017 |
|---|---|---|
| **Operating revenues and other income** | | |
| Resident fees | $ 20,210 | $ 19,544 |
| Amortization of entrance fees | 6,456 | 5,968 |
| Fees for services and other income | 4,951 | 4,303 |
| Total operating revenues and other income | 31,617 | 29,815 |
| **Expenses** | | |
| Program expenses | | |
| Housing | | |
| Program | 4,853 | 4,952 |
| Interest expense | 1,069 | 1,036 |
| Depreciation | 4,324 | 4,103 |
| Food service | 5,507 | 5,464 |
| Health care | 9,072 | 8,512 |
| Other program services | 3,369 | 3,221 |
| | 28,194 | 27,288 |
| Program support expense | | |
| Administration | 2,455 | 2,361 |
| Total expenses | 30,649 | 29,649 |
| Excess of operating revenues, and other income over expenses | 968 | 166 |
| **Other Changes** | | |
| Grants used for programs and facilities | 158 | 134 |
| Change in net assets without donor restrictions | $ 1,126 | $ 300 |

## Sequoia Living, Inc.
**Details of Operations**
**Sequoias – Portola Valley**
**For the years ended December 31, 2018 and 2017**
**(dollars in thousands)**

| | 2018 | 2017 |
|---|---|---|
| **Operating revenues and other income** | | |
| Resident fees | $ 17,125 | $ 17,077 |
| Amortization of entrance fees | 6,131 | 5,608 |
| Fees for services and other income | 5,676 | 3,807 |
| Total operating revenues and other income | 28,932 | 26,492 |
| **Expenses** | | |
| Program expenses | | |
| Housing | | |
| Program | 5,895 | 6,071 |
| Interest expense | 682 | 662 |
| Depreciation | 2,786 | 2,619 |
| Food service | 5,256 | 4,937 |
| Health care | 8,165 | 7,645 |
| Other program services | 3,321 | 3,151 |
| | 26,105 | 25,085 |
| Program support expense | | |
| Administration | 2,387 | 2,294 |
| Total expenses | 28,492 | 27,379 |
| Excess of operating revenues, and other income over expenses | 440 | (887) |
| **Other Changes** | | |
| Grants used for programs and facilities | 646 | 805 |
| Change in net assets without donor restrictions | $ 1,086 | $ (82) |

## Sequoia Living, Inc.
**Details of Operations**
**Sequoias - Tamalpais**
**For the years ended December 31, 2018 and 2017**
**(dollars in thousands)**

| | 2018 | 2017 |
|---|---|---|
| **Operating revenues and other income** | | |
| Resident fees | $ 17,344 | $ 16,856 |
| Amortization of entrance fees | 5,370 | 4,802 |
| Fees for services and other income | 3,030 | 2,596 |
| Total operating revenues and other income | 25,744 | 24,254 |
| **Expenses** | | |
| Program expenses | | |
| Housing | | |
| Program | 4,131 | 6,789 |
| Interest expense | 821 | 797 |
| Depreciation | 2,957 | 2,720 |
| Food service | 5,194 | 4,497 |
| Health care | 7,405 | 6,853 |
| Other program services | 3,149 | 3,294 |
| | 23,657 | 24,950 |
| Program support expense | | |
| Administration | 2,386 | 2,294 |
| Total expenses | 26,043 | 27,244 |
| Excess of operating revenues, and other income over expenses | (299) | (2,990) |
| **Other Changes** | | |
| Grants used for programs and facilities | 279 | 279 |
| Change in net assets without donor restrictions | $ (20) | $ (2,711) |

# Part 5

## Report of Independent Auditors

To the Board of Directors of
Sequoia Living, Inc.

### *Report on the Continuing Care Reserve Report*

We have audited the accompanying Continuing Care Reserve Report (the "Reports") of Sequoia Living, Inc., formerly known as Northern California Presbyterian Homes and Services, Inc. (the “Organization"), which comprise the continuing care liquid reserve schedules Form 5-1 through Form 5-5 as of and for the year ended December 31, 2018 and the related note. The Reports have been prepared by management using the liquid reserve requirements of California Health and Safety Code Section 1792.

### *Management's Responsibility on the Continuing Care Reserve Report*

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, as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Reports that are free from material misstatement, whether due to fraud or error.

### *Auditors’ Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Reports. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Reports, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Organization’s preparation and fair presentation of the Reports in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Reports. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the Reports referred to above present fairly, in all material respects, the liquid reserve schedules Form 5-1 through Form 5-5 of Sequoia Living, Inc. as of and for the year ended December 31, 2018, in conformity with the report preparation provisions of California Health and Safety Code Section 1792 as described in Note 1.

*PricewaterhouseCoopers LLP, Three Embarcadero Center, San Francisco, CA 94111-4004*
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***Emphasis of Matter***

The accompanying Reports were prepared in conformity with 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. The Reports are not intended to be a complete presentation of Sequoia Living, Inc. assets, liabilities, revenues and expenses. Our opinion is not modified with respect to this matter.

***Restriction on Use***

This report is intended solely for the use of Sequoia Living, Inc. and for filing with the California Department of Social Services and is not intended to be and should be used for any other purposes. However, this report is a matter of public record and its distribution is not limited.

PricewaterhouseCoopers LLP

San Francisco, California
May 30, 2019

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

| Long-Term Debt Obligation | (a) Date Incurred | (b) Principal Paid During Fiscal Year | (c) Interest Paid During Fiscal Year | (d) Credit Enhancement Premiums Paid in Fiscal Year | (e) Total Paid (columns (b) + (c) + (d)) |
|---|---|---|---|---|---|
| 1 | 03/01/80 | $548,322 | $68,016 | $0 | $616,338 |
| 2 | 04/15/15 | $1,185,000 | $2,815,753 | $0 | $4,000,753 |
| 3 | 06/12/15 | $160,349 | $872,776 | $0 | $1,033,125 |
| 4 | 10/01/17 | $284,285 | $1,006,563 | $0 | $1,290,848 |
| 5 | | | | | $0 |
| 6 | | | | | $0 |
| 7 | | | | | $0 |
| 8 | | | | | $0 |
| | | **TOTAL:** | $4,763,108 | $0 | $6,941,064 |

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

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

**PROVIDER:** Sequoia Living, Inc

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

| Long-Term Debt Obligation | (a) Date Incurred | (b) Total Interest Paid During Fiscal Year | (c) Amount of Most Recent Payment on the Debt | (d) Number of Payments over next 12 months | (e) Reserve Requirement (see instruction 5) (columns (c) x (d)) |
|---|---|---|---|---|---|
| 1 | 08/07/18 | $636,721 | $3,097,563 | 2 | $6,195,125 |
| 2 | | | | | $0 |
| 3 | | | | | $0 |
| 4 | | | | | $0 |
| 5 | | | | | $0 |
| 6 | | | | | $0 |
| 7 | | | | | $0 |
| 8 | | | | | $0 |
| | **TOTAL:** | $636,721 | $3,097,563 | 2 | $6,195,125 |

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

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

**PROVIDER:** Sequoia Living, Inc

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

| Line | | TOTAL |
|---|---|---|
| 1 | Total from Form 5-1 bottom of Column (e) | $6,941,064 |
| 2 | Total from Form 5-2 bottom of Column (e) | $6,195,125 |
| 3 | Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance) | |
| 4 | **TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:** | $13,136,189 |

**PROVIDER:** Sequoia Living, Inc

# FORM 5-4
# CALCULATION OF NET OPERATING EXPENSES

| Line | | | Amounts | TOTAL |
|---|---|---|---|---|
| 1 | | Total operating expenses from financial statements | | $30,942,670 |
| 2 | | Deductions: | | |
| | a. | Interest paid on long-term debt (see instructions) | $1,068,548 | |
| | b. | Credit enhancement premiums paid for long-term debt (see instructions) | $0 | |
| | c. | Depreciation | $4,324,144 | |
| | d. | Amortization | $0 | |
| | e. | Revenues received during the fiscal year for services to persons who did not have a continuing care contract | $0 | |
| | f. | Extraordinary expenses approved by the Department | $0 | |
| 3 | | Total Deductions | | $5,392,692 |
| 4 | | Net Operating Expenses | | $25,549,978 |
| 5 | | Divide Line 4 by 365 and enter the result. | | $70,000 |
| 6 | | **Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount. | | $5,249,995 |

**PROVIDER:** Sequoia Living, Inc
**COMMUNITY:** Sequoias - San Francisco

# FORM 5-4
# CALCULATION OF NET OPERATING EXPENSES

| Line | | Amounts | TOTAL |
|---|---|---|---|
| 1 | Total operating expenses from financial statements | | $28,570,615 |
| 2 | Deductions: | | |
| a. | Interest paid on long-term debt (see instructions) | $682,087 | |
| b. | Credit enhancement premiums paid for long-term debt (see instructions) | $0 | |
| c. | Depreciation | $2,785,755 | |
| d. | Amortization | $0 | |
| e. | Revenues received during the fiscal year for services to persons who did not have a continuing care contract | $0 | |
| f. | Extraordinary expenses approved by the Department | $0 | |
| 3 | Total Deductions | | $3,467,842 |
| 4 | Net Operating Expenses | | $25,102,773 |
| 5 | Divide Line 4 by 365 and enter the result. | | $68,775 |
| 6 | **Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount. | | $5,158,104 |

**PROVIDER:** Sequoia Living, Inc
**COMMUNITY:** Sequoias - Portola Valley

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

| Line | | | Amounts | TOTAL |
|---|---|---|---|---|
| 1 | | Total operating expenses from financial statements | | $26,145,747 |
| 2 | | Deductions: | | |
| | a. | Interest paid on long-term debt (see instructions) | $821,316 | |
| | b. | Credit enhancement premiums paid for long-term debt (see instructions) | $0 | |
| | c. | Depreciation | $2,956,883 | |
| | d. | Amortization | $0 | |
| | e. | Revenues received during the fiscal year for services to persons who did not have a continuing care contract | $0 | |
| | f. | Extraordinary expenses approved by the Department | $0 | |
| 3 | | Total Deductions | | $3,778,199 |
| 4 | | Net Operating Expenses | | $22,367,548 |
| 5 | | Divide Line 4 by 365 and enter the result. | | $61,281 |
| 6 | | **Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount. | | $4,596,072 |

**PROVIDER:** Sequoia Living, Inc
**COMMUNITY:** Tamalpais

**FORM 5-5**
**ANNUAL RESERVE CERTIFICATION**

Provider Name: Sequoia Living, Inc.
Fiscal Year Ended: 12/31/2018

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2018 and are in compliance with those requirements.

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

| | | Amount |
|---|---|---|
| [1] | Debt Service Reserve Amount | $13,136,189 |
| [2] | Operating Expense Reserve Amount | $15,004,171 |
| [3] | **Total Liquid Reserve Amount:** | $28,140,360 |

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

| | Qualifying Asset Description | Amount: Debt Service Reserve | | Amount: Operating Reserve |
|---|---|---|---|---|
| [4] | Cash and Cash Equivalents | $2,468,530 | | $2,468,530 |
| [5] | Investment Securities | $12,394,866 | | $12,394,866 |
| [6] | Equity Securities | $17,435,457 | | $17,435,457 |
| [7] | Unused/Available Lines of Credit | | | |
| [8] | Unused/Available Letters of Credit | | | |
| [9] | Debt Service Reserve | | | (not applicable) |
| [10] | Other: Investment in Real Estate Fund (describe qualifying asset) | $1,444,165 | | $1,444,165 |
| | **Listed for Reserve Obligation:** [11] | $33,743,017 | [12] | $33,743,017 |
| | **Reserve Obligation Amount:** [13] | $13,136,189 | [14] | $15,004,171 |
| | **Surplus/(Deficiency):** [15] | $20,606,828 | [16] | $18,738,846 |

Signature: [signature]

(Authorized Representative)

Date: 5/6/2019

CFO
(Title)

**Sequoia Living, Inc.**

**Form 5-5**

**Additional Disclosures**

Status Description and Amount of Reserves:

Sequoia Living's reserves consist of marketable securities of $67,486,035. Sequoia Living invests approximately 52% of its reserves in equity investments.

Per capita costs

The per capita cash cost of care excluding interest and depreciation expense for Sequoia Living's facilities for 2018 was as follows:

| | |
|---|---|
| Sequoias San Francisco | $75,147 |
| Sequoias Portola Valley | $85,384 |
| Tamalpais | $72,977 |

Funds accumulated for specific projects and/or contingencies

Sequoia Living's reserves have not been designated for specific needs or projects. They are available to respond to contingencies; provide funding for projects which are internally financed and support Sequoia Living's efforts to grow and serve more seniors consistent with its tax-exempt purpose.

In 2018, Sequoia Living's cash flow from operations including entrance fees was not sufficient to cover its activities so accumulated cash and marketable securities were required to fund projects. Projects in excess of $250,000 completed in 2018 were as follows:

Sequoias San Francisco

| | |
|---|---|
| Plumbing and Fixtures | $ 267,750 |
| Apartment renovations | $ 394,047 |
| WIFI Tower HO Project | $ 322,355 |

Sequoias Portola Valley

| | |
|---|---|
| Campus WIFI | $ 452,832 |
| Freight Elevator | $ 265,096 |
| Main Bldg. Construction | $ 5,766,354 |
| Apartment renovations | $ 571,067 |
| SNF Roofing | $ 380,496 |

Tamalpais

| | |
|---|---|
| Tower Elevator Control | $ 1,200,000 |
| Apartment renovations | $ 2,623,134 |
| WIFI Project | $ 561,714 |

Projects included in the 2019 capital budget which are greater than $250,000 include the following:

Sequoias San Francisco

| | |
|---|---|
| Apartment renovations (23 units) | $ 1,847,568 |
| HVAC for kitchen area | $ 1,200,000 |
| Gym and storage project | $ 1,156,090 |
| Conversion of 4 beds to 2 on HC | $ 500,369 |
| Replace DHW Tank #2 in basement | $ 410,571 |
| Cogen system replacement + AC | $ 366,597 |

Sequoias Portola Valley

| | |
|---|---|
| Main Building Remodel | $ 6,000,649 |
| Apartment Renovations New Program | $ 1,900,205 |
| Installation of Sheetrock Wall in HC | $ 328,983 |
| HC Elevator- Passenger Upgrade | $ 283,353 |

Tamalpais

| | |
|---|---|
| Residential Apartments Renovation | $ 1,900,205 |
| Continuation of Elevator Modernization | $ 900,000 |
| SNF Improvement (Remaining) | $ 800,000 |
| Nurse Call and Wander Guard system | $ 500,054 |
| Walk in Freezer and Cooler | $ 432,252 |
| SNF Enhancements | $ 400,043 |

## Sequoia Living, Inc.
### Note 1 to the Continuing Care Reserve Report (Part 5)
**For the year ended December 31, 2018**

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

Section 1792 of the Code indicates that the Organization 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 Organization has computed its liquid reserve requirement as of and for the year ended December 31, 2018, the Organization’s most recent fiscal year end, and the reserve is based on audited financial statements for the period.

# Part 6

**SEQUOIA LIVING, INC.**

**December 31, 2018**

The information in Part 6 and Part 7 of this Report has been prepared by, and is the responsibility of, the Company's management. PricewaterhouseCoopers LLP has not audited, reviewed, examined, compiled nor applied agreed-upon procedures with respect to the accompanying projected and forecast financial information and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP report included in this document relates to the Company's previously issued financial statements. It does not extend to the information in Part 6 and Part 7 and should not be read to do so.

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

Date Prepared: 4/22/2019

**FACILITY NAME:** The Sequoias - San Francisco

**ADDRESS:** 1400 Geary Boulevard, San Francisco, California **ZIP CODE:** 94109 **PHONE:** 415-922-9700

**PROVIDER NAME:** Sequoia Living, Inc. **FACILITY OPERATOR:** Sequoia Living, Inc.

**RELATED FACILITIES:** Six related facilities **RELIGIOUS AFFILIATION:** None

**YEAR OPENED:** 1969 **# OF ACRES:** 5 ☐ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ____ **MILES TO SHOPPING CTR:** <1 **MILES TO HOSPITAL:** 1

* * * * * * * * * * * * * * * * * * * * * * * * * * * * * *

**NUMBER OF UNITS:**

| RESIDENTIAL LIVING | | HEALTH CARE | |
|---|---|---|---|
| APARTMENTS — STUDIO: | 60 | ASSISTED LIVING: | 18 |
| APARTMENTS — 1 BDRM: | 142 | SKILLED NURSING: | 50 |
| APARTMENTS — 2 BDRM: | 65 | SPECIAL CARE: | 19 |
| COTTAGES/HOUSES: | 3 | DESCRIPTION: > | Memory Care |
| RLU OCCUPANCY (%) AT YEAR END: | 94.4% | > | |

* * * * * * * * * * * * * * * * * * * * * * * * * * * * * *

**TYPE OF OWNERSHIP:** ☑ NOT-FOR-PROFIT ☐ FOR- PROFIT ACCREDITED?: ☑ YES ☐ NO BY: CARF-CCAC

**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)* ☑ 90% ☑ 75% ☐ 50% ☑ FULLY AMORTIZED ☐ OTHER: ____

**RANGE OF ENTRANCE FEES:** $129,800 - $1,487,900 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

**HEALTH CARE BENEFITS INCLUDED IN CONTRACT:** For Lifecare contacts, exclusions include Rx, dental, glasses, podiatry, psychiatry, and specified others, For Continuing care contracts health care benefits are available for an additional fee, onsite clinic is included in monthly fee.

**ENTRY REQUIREMENTS:** MIN. AGE: 65 PRIOR PROFESSION: N/A OTHER: N/A

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

In accordance with the requirements of AB 1751, the Resident Association Boards of the three CCRCs recommend to the NCPHS Board a resident to serve as a full voting Board member. Effective May 1, 2015, Kathie Cheatham, resident of Sequoias San Francisco was appointed to a three year term on the Board. For the 2018-2021 Board term, the resident association nominated and the Board appointed Neal McNamara, a TAM resident to serve on the board.

### FACILITY SERVICES AND AMENITIES

| COMMON AREA AMENITIES | AVAILABLE | FEE FOR SERVICE |
|---|---|---|
| BEAUTY/BARBER SHOP | ☐ | ☑ |
| BILLIARD ROOM | ☑ | ☐ |
| BOWLING GREEN | ☐ | ☐ |
| CARD ROOMS | ☑ | ☐ |
| CHAPEL | ☑ | ☐ |
| COFFEE SHOP | ☑ | ☐ |
| CRAFT ROOMS | ☑ | ☐ |
| EXERCISE ROOM | ☑ | ☐ |
| GOLF COURSE ACCESS | ☐ | ☐ |
| LIBRARY | ☑ | ☐ |
| PUTTING GREEN | ☐ | ☐ |
| SHUFFLEBOARD | ☐ | ☐ |
| SPA | ☐ | ☐ |
| SWIMMING POOL-INDOOR | ☐ | ☐ |
| SWIMMING POOL-OUTDOOR | ☐ | ☐ |
| TENNIS COURT | ☐ | ☐ |
| WORKSHOP | ☑ | ☐ |
| OTHER Library, Art Gallery | ☑ | ☐ |

| SERVICES AVAILABLE | INCLUDED IN FEE | FOR EXTRA CHARGE |
|---|---|---|
| HOUSEKEEPING (4 TIMES/MONTH) | ☑ | ☑ |
| MEALS (____/DAY) | ☑ | ☐ |
| SPECIAL DIETS AVAILABLE | ☑ | ☑ |
| 24-HOUR EMERGENCY RESPONSE | ☑ | ☐ |
| ACTIVITIES PROGRAM | ☑ | ☑ |
| ALL UTILITIES EXCEPT PHONE | ☑ | ☐ |
| APARTMENT MAINTENANCE | ☑ | ☑ |
| CABLE TV | ☑ | ☑ |
| LINENS FURNISHED | ☑ | ☑ |
| LINENS LAUNDERED | ☑ | ☐ |
| MEDICATION MANAGEMENT | ☑ | ☑ |
| NURSING/WELLNESS CLINIC | ☑ | ☑ |
| PERSONAL HOME CARE | ☑ | ☑ |
| TRANSPORTATION-PERSONAL | ☐ | ☑ |
| TRANSPORTATION-PREARRANGED | ☑ | ☑ |
| OTHER Medical Supplies | ☑ | ☑ |

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:** Sequoia Living, Inc.

| OTHER CCRCs | LOCATION (City, State) | PHONE (with area code) |
|---|---|---|
| The Sequoias - San Francisco | San Francisco, California | 415-922-9700 |
| The Sequoias - Portola Valley | Portola Valley, California | 650-851-1501 |
| The Tamalpais | Greenbrae, California | 415-461-2300 |
| | | |
| | | |
| | | |
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| | | |

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

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

| SUBSIDIZED SENIOR HOUSING | LOCATION (City, State) | PHONE (with area code) |
|---|---|---|
| Western Park Apartments | San Francisco, California | 415-922-5436 |
| Eastern Park Apartments | San Francisco, California | 415-776-0114 |
| Town Park Towers | San Jose, California | 408-288-8750 |
| | | |

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

**PROVIDER NAME:** Sequoia Living, Inc.

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| **INCOME FROM ONGOING OPERATIONS** | | | | |
| **OPERATING INCOME** (Excluding amortization of entrance fee income) | $73,496 | $79,891 | $83,087 | $90,374 |
| **LESS OPERATING EXPENSES** (Excluding depreciation, amortization, and interest) | 79,791 | 79,527 | 83,879 | 87,517 |
| **NET INCOME FROM OPERATIONS** | (6,295) | 364 | (792) | 2,857 |
| **LESS INTEREST EXPENSE** | 3,629 | 4,502 | 5,049 | 9,699 |
| **PLUS CONTRIBUTIONS** | 1,974 | 1,887 | 2,611 | 2,445 |
| **PLUS NON-OPERATING INCOME (EXPENSES)** (excluding extraordinary items) | 13,548 | 309 | 8,549 | (8,174) |
| **NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION** | $5,598 | $(1,942) | 5,319 | (8,283) |
| **NET CASH FLOW FROM ENTRANCE FEES** (Total Deposits Less Refunds) | $22,170 | $21,571 | $22,898 | $14,363 |

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

| LENDER | OUTSTANDING BALANCE | INTEREST RATE | DATE OF ORIGINATION | DATE OF MATURITY | AMORTIZATION PERIOD |
|---|---|---|---|---|---|
| CHFFA | 63,223,433 | 2.00-5.00% | 2015 | 2044 | 30 years |
| Citibank | 14,947,695 | 5.81% | 2015 | 2045 | 30 years |
| Citibank | 22,669,539 | 4.41% | 2017 | 2034 | 15 years |

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

| | 2017 CCAC Medians 50th Percentile *(optional)* | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| **DEBT TO ASSET RATIO** | | 42.85% | 32.30% | 56.34% |
| **OPERATING RATIO** | | 104.47% | 99.34% | 107.43% |
| **DEBT SERVICE COVERAGE RATIO** | | 4.11 | 4.08 | 4.08 |
| **DAYS CASH ON HAND RATIO** | | 453 | 442 | 411 |

* * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * *

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

| | 2015 | % | 2016 | % | 2017 | % | 2018 |
|---|---|---|---|---|---|---|---|
| STUDIO | $3,956 | 5.3% | $4,164 | 4.6% | $4,355 | 3.4% | $4,501 |
| ONE BEDROOM | $4,450 | 5.3% | $4,687 | 4.6% | $4,903 | 3.3% | $5,063 |
| TWO BEDROOM | $7,492 | 5.4% | $7,894 | 4.5% | $8,252 | 3.5% | $8,540 |
| COTTAGE/HOUSE | $9,298 | 5.5% | $9,805 | 4.6% | $10,253 | 3.6% | $10,624 |
| ASSISTED LIVING | | | | | | | |
| SKILLED NURSING | | | | | | | |
| SPECIAL CARE | | | | | | | |

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**COMMENTS FROM PROVIDER:** >

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**PROVIDER NAME:** Sequoia Living, Inc.

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| **INCOME FROM ONGOING OPERATIONS** | | | | |
| **OPERATING INCOME** (Excluding amortization of entrance fee income) | | | | |
| **LESS OPERATING EXPENSES** (Excluding depreciation, amortization, and interest) | | | | |
| **NET INCOME FROM OPERATIONS** | | | | |
| **LESS INTEREST EXPENSE** | | | | |
| **PLUS CONTRIBUTIONS** | | | | |
| **PLUS NON-OPERATING INCOME (EXPENSES)** (excluding extraordinary items) | | | | |
| **NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION** | | | | |
| **NET CASH FLOW FROM ENTRANCE FEES** (Total Deposits Less Refunds) | | | | |

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

| LENDER | OUTSTANDING BALANCE | INTEREST RATE | DATE OF ORIGINATION | DATE OF MATURITY | AMORTIZATION PERIOD |
|---|---|---|---|---|---|
| CSCDA | $182,996,333 | 3.66% | 2018 | 2047 | 30 Years |
| HUD | $689,206 | 6.90% | 1980 | 2020 | 40 Years |
| | | | | | |

* * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * *

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

| | 2017 CCAC Medians 50th Percentile *(optional)* | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| **DEBT TO ASSET RATIO** | | | | |
| **OPERATING RATIO** | | | | |
| **DEBT SERVICE COVERAGE RATIO** | | | | |
| **DAYS CASH ON HAND RATIO** | | | | |

* * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * *

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

| | 2015 | % | 2016 | % | 2017 | % | 2018 |
|---|---|---|---|---|---|---|---|
| STUDIO | | | | | | | |
| ONE BEDROOM | | | | | | | |
| TWO BEDROOM | | | | | | | |
| COTTAGE/HOUSE | | | | | | | |
| ASSISTED LIVING | | | | | | | |
| SKILLED NURSING | | | | | | | |
| SPECIAL CARE | | | | | | | |

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**COMMENTS FROM PROVIDER:** >

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**PROVIDER NAME:** Sequoia Living, Inc.

## FINANCIAL RATIO FORMULAS

### LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

### OPERATING RATIO

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

### DEBT SERVICE COVERAGE RATIO

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

### DAYS CASH ON HAND RATIO

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

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

# Continuing Care Retirement Community
# Disclosure Statement
# General Information

**Date Prepared:** 4/30/2019

**FACILITY NAME:** The Sequoias - Portola Valley

**ADDRESS:** 501 Portola Road, Portola Valley, California **ZIP CODE:** 94028 **PHONE:** 650-851-1501

**PROVIDER NAME:** Sequoia Living, Inc. **FACILITY OPERATOR:** Sequoia Living, Inc.

**RELATED FACILITIES:** Six related facilities **RELIGIOUS AFFILIATION:** None

**YEAR OPENED:** 1961 **# OF ACRES:** 42 ☑ SINGLE STORY ☐ MULTI-STORY ☐ OTHER: ______ **MILES TO SHOPPING CTR:** 4 **MILES TO HOSPITAL:** 6.2

* * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * *

**NUMBER OF UNITS:**

| RESIDENTIAL LIVING | | HEALTH CARE | |
|---|---|---|---|
| APARTMENTS – STUDIO: | 23 | ASSISTED LIVING: | 26 |
| APARTMENTS – 1 BDRM: | 112 | SKILLED NURSING: | 43 |
| APARTMENTS – 2 BDRM: | 68 | SPECIAL CARE: | 18 |
| COTTAGES/HOUSES: | 2 | DESCRIPTION: | > Memory Care |
| RLU OCCUPANCY (%) AT YEAR END: | 94.1% | | > |

* * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * * *

**TYPE OF OWNERSHIP:** ☑ NOT-FOR-PROFIT ☐ FOR- PROFIT **ACCREDITED?:** ☑ YES ☐ NO **BY:** CARF-CCAC

**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)* ☑ 90% ☑ 75% ☐ 50% ☑ FULLY AMORTIZED ☐ OTHER: ______

**RANGE OF ENTRANCE FEES:** $99,800 - $1,639,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☐ NO

**HEALTH CARE BENEFITS INCLUDED IN CONTRACT:** For Lifecare contacts, exclusions include Rx, dental, glasses, podiatry, psychiatry, and specified others, For Continuing care contracts health care benefits are available for an additional fee, onsite clinic is included in monthly fee.

**ENTRY REQUIREMENTS:** MIN. AGE: 65 PRIOR PROFESSION: N/A OTHER: N/A

**RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD** (briefly describe provider's compliance and residents' role): >
In accordance with the requirements of AB 1751, the Resident Association Boards of the three CCRCs recommend to the NCPHS Board a resident to serve as a full voting Board member. Effective May 1, 2015, Kathie Cheatham, resident of Sequoias San Francisco was appointed to a three year term on the Board. For the 2018-2021 Board term, the resident association nominated and the Board appointed Neal McNamara, a TAM resident to serve on the board.

## FACILITY SERVICES AND AMENITIES

| COMMON AREA AMENITIES | AVAILABLE | FEE FOR SERVICE |
|---|---|---|
| BEAUTY/BARBER SHOP | ☐ | ☑ |
| BILLIARD ROOM | ☑ | ☐ |
| BOWLING GREEN | ☑ | ☐ |
| CARD ROOMS | ☑ | ☐ |
| CHAPEL | ☐ | ☐ |
| COFFEE SHOP | ☐ | ☑ |
| CRAFT ROOMS | ☑ | ☐ |
| EXERCISE ROOM | ☑ | ☐ |
| GOLF COURSE ACCESS | ☐ | ☐ |
| LIBRARY | ☑ | ☐ |
| PUTTING GREEN | ☑ | ☐ |
| SHUFFLEBOARD | ☑ | ☐ |
| SPA | ☑ | ☐ |
| SWIMMING POOL-INDOOR | ☑ | ☐ |
| SWIMMING POOL-OUTDOOR | ☐ | ☐ |
| TENNIS COURT | ☐ | ☐ |
| WORKSHOP | ☑ | ☐ |
| OTHER Resident Garden | ☑ | ☐ |

| SERVICES AVAILABLE | INCLUDED IN FEE | FOR EXTRA CHARGE |
|---|---|---|
| HOUSEKEEPING (4 TIMES/MONTH) | ☑ | ☑ |
| MEALS (1-3/DAY) | ☑ | ☐ |
| SPECIAL DIETS AVAILABLE | ☑ | ☑ |
| 24-HOUR EMERGENCY RESPONSE | ☑ | ☐ |
| ACTIVITIES PROGRAM | ☑ | ☑ |
| ALL UTILITIES EXCEPT PHONE | ☑ | ☐ |
| APARTMENT MAINTENANCE | ☑ | ☑ |
| CABLE TV | ☑ | ☑ |
| LINENS FURNISHED | ☑ | ☑ |
| LINENS LAUNDERED | ☑ | ☐ |
| MEDICATION MANAGEMENT | ☑ | ☑ |
| NURSING/WELLNESS CLINIC | ☑ | ☑ |
| PERSONAL HOME CARE | ☑ | ☑ |
| TRANSPORTATION-PERSONAL | ☐ | ☑ |
| TRANSPORTATION-PREARRANGED | ☑ | ☑ |
| OTHER Medical Supplies | ☑ | ☑ |

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:** ______________________________

| OTHER CCRCs | LOCATION (City, State) | PHONE (with area code) |
|---|---|---|
| The Sequoias - San Francisco | San Francisco, California | 415-922-9700 |
| The Sequoias - Portola Valley | Portola Valley, California | 650-851-1501 |
| The Tamalpais | Greenbrae, California | 415-461-2300 |
| | | |
| | | |
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| MULTI-LEVEL RETIREMENT COMMUNITIES | LOCATION (City, State) | PHONE (with area code) |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

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

| SUBSIDIZED SENIOR HOUSING | LOCATION (City, State) | PHONE (with area code) |
|---|---|---|
| Western Park Apartments | San Francisco, California | 415-922-5436 |
| Eastern Park Apartments | San Francisco, California | 415-776-0114 |
| Town Park Towers | San Jose, California | 408-288-8750 |
| | | |

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

PROVIDER NAME: ______

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| **INCOME FROM ONGOING OPERATIONS** | | | | |
| **OPERATING INCOME** (Excluding amortization of entrance fee income) | $73,496 | $79,891 | $83,087 | $90,374 |
| **LESS OPERATING EXPENSES** (Excluding depreciation, amortization, and interest) | 79,791 | 79,527 | 83,879 | 87,517 |
| **NET INCOME FROM OPERATIONS** | (6,295) | 364 | (792) | 2,857 |
| **LESS INTEREST EXPENSE** | 3,629 | 4,502 | 5,049 | 9,699 |
| **PLUS CONTRIBUTIONS** | 1,974 | 1,887 | 2,611 | 2,445 |
| **PLUS NON-OPERATING INCOME (EXPENSES)** (excluding extraordinary items) | 13,548 | 309 | 8,549 | (8,174) |
| **NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION** | $5,598 | $(1,942) | 5,319 | (8,283) |
| **NET CASH FLOW FROM ENTRANCE FEES** (Total Deposits Less Refunds) | $22,170 | $21,571 | $22,898 | $14,363 |

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

| LENDER | OUTSTANDING BALANCE | INTEREST RATE | DATE OF ORIGINATION | DATE OF MATURITY | AMORTIZATION PERIOD |
|---|---|---|---|---|---|
| CHFFA | 63,223,433 | 2.00-5.00% | 2015 | 2044 | 30 years |
| Citibank | 14,947,695 | 5.81% | 2015 | 2045 | 30 years |
| Citibank | 22,669,539 | 4.41% | 2017 | 2034 | 15 years |

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

| | 2017 CCAC Medians 50th Percentile *(optional)* | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| **DEBT TO ASSET RATIO** | | 42.85% | 32.30% | 56.34% |
| **OPERATING RATIO** | | 104.47% | 99.34% | 107.43% |
| **DEBT SERVICE COVERAGE RATIO** | | 4.11 | 4.08 | 4.08 |
| **DAYS CASH ON HAND RATIO** | | 453 | 442 | 411 |

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

| | 2015 | % | 2016 | % | 2017 | % | 2018 |
|---|---|---|---|---|---|---|---|
| STUDIO | $3,626 | 4.2% | $3,779 | 4.3% | $3,941 | 4.5% | $4,117 |
| ONE BEDROOM | $4,451 | 4.2% | $4,638 | 4.3% | $4,838 | 4.5% | $5,054 |
| TWO BEDROOM | $7,853 | 4.3% | $8,187 | 4.3% | $8,536 | 4.4% | $8,914 |
| COTTAGE/HOUSE | $10,084 | 4.3% | $10,515 | 4.3% | $10,967 | 0.0% | $10,967 |
| ASSISTED LIVING | | | | | | | |
| SKILLED NURSING | | | | | | | |
| SPECIAL CARE | | | | | | | |

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**COMMENTS FROM PROVIDER:** > ______

> ______

> ______

**PROVIDER NAME:** Sequoia Living, Inc.

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| **INCOME FROM ONGOING OPERATIONS** | | | | |
| **OPERATING INCOME** (Excluding amortization of entrance fee income) | | | | |
| **LESS OPERATING EXPENSES** (Excluding depreciation, amortization, and interest) | | | | |
| **NET INCOME FROM OPERATIONS** | | | | |
| **LESS INTEREST EXPENSE** | | | | |
| **PLUS CONTRIBUTIONS** | | | | |
| **PLUS NON-OPERATING INCOME (EXPENSES)** (excluding extraordinary items) | | | | |
| **NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION** | | | | |
| **NET CASH FLOW FROM ENTRANCE FEES** (Total Deposits Less Refunds) | | | | |

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

| LENDER | OUTSTANDING BALANCE | INTEREST RATE | DATE OF ORIGINATION | DATE OF MATURITY | AMORTIZATION PERIOD |
|---|---|---|---|---|---|
| CSCDA | $182,996,333 | 3.66% | 2018 | 2047 | 30 Years |
| HUD | $689,206 | 6.90% | 1980 | 2020 | 40 Years |
| | | | | | |

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

| | 2017 CCAC Medians 50th Percentile *(optional)* | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| **DEBT TO ASSET RATIO** | | | | |
| **OPERATING RATIO** | | | | |
| **DEBT SERVICE COVERAGE RATIO** | | | | |
| **DAYS CASH ON HAND RATIO** | | | | |

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

| | 2015 | % | 2016 | % | 2017 | % | 2018 |
|---|---|---|---|---|---|---|---|
| STUDIO | | | | | | | |
| ONE BEDROOM | | | | | | | |
| TWO BEDROOM | | | | | | | |
| COTTAGE/HOUSE | | | | | | | |
| ASSISTED LIVING | | | | | | | |
| SKILLED NURSING | | | | | | | |
| SPECIAL CARE | | | | | | | |

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**COMMENTS FROM PROVIDER:** >

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**PROVIDER NAME:** ______________________________

## FINANCIAL RATIO FORMULAS

### LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

### OPERATING RATIO

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

### DEBT SERVICE COVERAGE RATIO

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

### DAYS CASH ON HAND RATIO

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

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

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

Date Prepared: 05/14/2019

FACILITY NAME: The Tamalpais
ADDRESS: 501 Via Casitas, Greenbrae, California ZIP CODE: 94904 PHONE: 415-461-2300
PROVIDER NAME: Sequoia Living, Inc. FACILITY OPERATOR: Sequoia Living, Inc.
RELATED FACILITIES: Six related facilities RELIGIOUS AFFILIATION: None
YEAR OPENED: 1969 # OF ACRES: 6 ☐ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ____ MILES TO SHOPPING CTR: <1 MILES TO HOSPITAL: <1

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**NUMBER OF UNITS:**

| RESIDENTIAL LIVING | | HEALTH CARE | |
|---|---|---|---|
| APARTMENTS — STUDIO: | 44 | ASSISTED LIVING: | 22 |
| APARTMENTS — 1 BDRM: | 154 | SKILLED NURSING: | 52 |
| APARTMENTS — 2 BDRM: | 31 | SPECIAL CARE: | 0 |
| COTTAGES/HOUSES: | 0 | DESCRIPTION: > | N/A |
| RLU OCCUPANCY (%) AT YEAR END: | 95.2% | > | |

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**TYPE OF OWNERSHIP:** ☑ NOT-FOR-PROFIT ☐ FOR- PROFIT ACCREDITED?: ☑ YES ☐ NO BY: CARF-CCAC

**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)* ☑90% ☑75% ☐50% ☑FULLY AMORTIZED ☐OTHER: ____

**RANGE OF ENTRANCE FEES:** $94,900 - $ $1,390,800 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

**HEALTH CARE BENEFITS INCLUDED IN CONTRACT:** For Lifecare contacts, exclusions include Rx, dental, glasses, podiatry, psychiatry, and specified others, For Continuing care contracts health care benefits are available for an additional fee, onsite clinic is included in monthly fee.

**ENTRY REQUIREMENTS:** MIN. AGE: 65 PRIOR PROFESSION: N/A OTHER: N/A

**RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD** (briefly describe provider's compliance and residents' role): >
In accordance with the requirements of AB 1751, the Resident Association Boards of the three CCRCs recommend to the NCPHS Board a resident to serve as a full voting Board member. Effective May 1, 2015, Kathie Cheatham, resident of Sequoias San Francisco was appointed to a three year term on the Board. For the 2018-2021 Board term, the resident association nominated and the Board appointed Neal McNamara, a TAM resident to serve on the board.

### FACILITY SERVICES AND AMENITIES

| COMMON AREA AMENITIES | AVAILABLE | FEE FOR SERVICE | SERVICES AVAILABLE | INCLUDED IN FEE | FOR EXTRA CHARGE |
|---|---|---|---|---|---|
| BEAUTY/BARBER SHOP | ☐ | ☑ | HOUSEKEEPING (4 TIMES/MONTH) | ☑ | ☑ |
| BILLIARD ROOM | ☑ | ☐ | MEALS (1-3 /DAY) | ☑ | ☐ |
| BOWLING GREEN | ☑ | ☐ | SPECIAL DIETS AVAILABLE | ☑ | ☑ |
| CARD ROOMS | ☑ | ☐ | | | |
| CHAPEL | ☐ | ☐ | 24-HOUR EMERGENCY RESPONSE | ☑ | ☐ |
| COFFEE SHOP | ☐ | ☑ | ACTIVITIES PROGRAM | ☑ | ☑ |
| CRAFT ROOMS | ☑ | ☐ | ALL UTILITIES EXCEPT PHONE | ☑ | ☐ |
| EXERCISE ROOM | ☑ | ☐ | APARTMENT MAINTENANCE | ☑ | ☑ |
| GOLF COURSE ACCESS | ☐ | ☐ | CABLE TV | ☑ | ☑ |
| LIBRARY | ☑ | ☐ | LINENS FURNISHED | ☑ | ☑ |
| PUTTING GREEN | ☑ | ☐ | LINENS LAUNDERED | ☑ | ☐ |
| SHUFFLEBOARD | ☑ | ☐ | MEDICATION MANAGEMENT | ☑ | ☑ |
| SPA | ☑ | ☐ | NURSING/WELLNESS CLINIC | ☑ | ☑ |
| SWIMMING POOL-INDOOR | ☑ | ☐ | PERSONAL HOME CARE | ☑ | ☑ |
| SWIMMING POOL-OUTDOOR | ☐ | ☐ | TRANSPORTATION-PERSONAL | ☐ | ☑ |
| TENNIS COURT | ☐ | ☐ | TRANSPORTATION-PREARRANGED | ☑ | ☑ |
| WORKSHOP | ☑ | ☐ | OTHER Medical Supplies | ☑ | ☑ |
| OTHER Resident Garden | ☑ | ☐ | | | |

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:** ______________________________

| OTHER CCRCs | LOCATION (City, State) | PHONE (with area code) |
|---|---|---|
| The Sequoias - San Francisco | San Francisco, California | 415-922-9700 |
| The Sequoias - Portola Valley | Portola Valley, California | 650-851-1501 |
| The Tamalpais | Greenbrae, California | 415-461-2300 |
| | | |
| | | |
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| MULTI-LEVEL RETIREMENT COMMUNITIES | LOCATION (City, State) | PHONE (with area code) |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

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

| SUBSIDIZED SENIOR HOUSING | LOCATION (City, State) | PHONE (with area code) |
|---|---|---|
| Western Park Apartments | San Francisco, California | 415-922-5436 |
| Eastern Park Apartments | San Francisco, California | 415-776-0114 |
| Town Park Towers | San Jose, California | 408-288-8750 |
| | | |

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

**PROVIDER NAME:** ______

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| **INCOME FROM ONGOING OPERATIONS** | | | | |
| **OPERATING INCOME** (Excluding amortization of entrance fee income) | $73,496 | $79,891 | $83,087 | $90,374 |
| **LESS OPERATING EXPENSES** (Excluding depreciation, amortization, and interest) | 79,791 | 79,527 | $83,879 | 87,517 |
| **NET INCOME FROM OPERATIONS** | (6,295) | 364 | (792) | 2,857 |
| **LESS INTEREST EXPENSE** | 3,629 | 4,502 | 5,049 | 9,699 |
| **PLUS CONTRIBUTIONS** | 1,974 | 1,887 | 2,611 | 2,445 |
| **PLUS NON-OPERATING INCOME (EXPENSES)** (excluding extraordinary items) | 13,548 | 309 | 8,549 | (8,174) |
| **NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION** | 5,598 | $(1,942) | 5,319 | (8,283) |
| **NET CASH FLOW FROM ENTRANCE FEES** (Total Deposits Less Refunds) | $22,170 | $21,571 | $22,898 | $14,363 |

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

| LENDER | OUTSTANDING BALANCE | INTEREST RATE | DATE OF ORIGINATION | DATE OF MATURITY | AMORTIZATION PERIOD |
|---|---|---|---|---|---|
| CHFFA | $63,223,433 | 2.00-5.00% | 2015 | 2044 | 30 years |
| Citibank | $14,947,695 | 5.81% | 2015 | 2045 | 30 years |
| Citibank | $22,669,539 | 4.41% | 2017 | 2034 | 15 years |

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

| | 2017 CCAC Medians 50th Percentile *(optional)* | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| **DEBT TO ASSET RATIO** | | 42.85% | 32.30% | 56.34% |
| **OPERATING RATIO** | | 104.47% | 99.34% | 107.43% |
| **DEBT SERVICE COVERAGE RATIO** | | 4.11 | 4.08 | 4.08 |
| **DAYS CASH ON HAND RATIO** | | 453 | 442 | 411 |

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

| | 2015 | % | 2016 | % | 2017 | % | 2018 |
|---|---|---|---|---|---|---|---|
| STUDIO | $3,593 | 4.8% | $3,767 | 4.5% | $3,938 | 3.5% | $4,074 |
| ONE BEDROOM | $4,621 | 4.8% | $4,845 | 4.6% | $5,066 | 3.6% | $5,249 |
| TWO BEDROOM | $7,977 | 4.9% | $8,367 | 4.4% | $8,738 | 3.7% | $9,059 |
| COTTAGE/HOUSE | | | | | | | |
| ASSISTED LIVING | | | | | | | |
| SKILLED NURSING | | | | | | | |
| SPECIAL CARE | | | | | | | |

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**COMMENTS FROM PROVIDER:** > ______

> ______

> ______

**PROVIDER NAME:** Sequoia Living, Inc.

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| **INCOME FROM ONGOING OPERATIONS** | | | | |
| **OPERATING INCOME** (Excluding amortization of entrance fee income) | | | | |
| **LESS OPERATING EXPENSES** (Excluding depreciation, amortization, and interest) | | | | |
| **NET INCOME FROM OPERATIONS** | | | | |
| **LESS INTEREST EXPENSE** | | | | |
| **PLUS CONTRIBUTIONS** | | | | |
| **PLUS NON-OPERATING INCOME (EXPENSES)** (excluding extraordinary items) | | | | |
| **NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION** | | | | |
| **NET CASH FLOW FROM ENTRANCE FEES** (Total Deposits Less Refunds) | | | | |

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

| LENDER | OUTSTANDING BALANCE | INTEREST RATE | DATE OF ORIGINATION | DATE OF MATURITY | AMORTIZATION PERIOD |
|---|---|---|---|---|---|
| CSCDA | $182,996,333 | 3.66% | 2018 | 2047 | 30 Years |
| HUD | $689,206 | 6.90% | 1980 | 2020 | 40 Years |
| | | | | | |

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

| | 2017 CCAC Medians 50th Percentile *(optional)* | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| **DEBT TO ASSET RATIO** | | | | |
| **OPERATING RATIO** | | | | |
| **DEBT SERVICE COVERAGE RATIO** | | | | |
| **DAYS CASH ON HAND RATIO** | | | | |

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

| | 2015 | % | 2016 | % | 2017 | % | 2018 |
|---|---|---|---|---|---|---|---|
| STUDIO | | | | | | | |
| ONE BEDROOM | | | | | | | |
| TWO BEDROOM | | | | | | | |
| COTTAGE/HOUSE | | | | | | | |
| ASSISTED LIVING | | | | | | | |
| SKILLED NURSING | | | | | | | |
| SPECIAL CARE | | | | | | | |

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**COMMENTS FROM PROVIDER:** >

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**PROVIDER NAME:** ______________________________

## FINANCIAL RATIO FORMULAS

### LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

### OPERATING RATIO

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

### DEBT SERVICE COVERAGE RATIO

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

### DAYS CASH ON HAND RATIO

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

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

# Part 7

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

| | | RESIDENTIAL LIVING | ASSISTED LIVING | SKILLED NURSING |
|---|---|---|---|---|
| **[1]** | Monthly Service Fees at beginning of reporting period: (indicate range, if applicable) | $3,940 -$11,538 | $3,940 -$11,538 | $3,940 -$11,538 |
| **[2]** | Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) | 3.80% | 3.80% | 3.80% |

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

**[3]** Indicate the date the fee increase was implemented: __April 1, 2018__________________
(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.

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

☒ 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.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

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

**PROVIDER:** Sequoia Living, Inc.
**COMMUNITY:** Sequoia – San Francisco

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

| | | RESIDENTIAL LIVING | ASSISTED LIVING | SKILLED NURSING |
|---|---|---|---|---|
| **[1]** | Monthly Service Fees at beginning of reporting period: (indicate range, if applicable) | $4,117 - $10,967 | $4,117- $10,967 | $4,117 -$10,967 |
| **[2]** | Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) | 4.90% | 4.90% | 4.90% |

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

**[3]** Indicate the date the fee increase was implemented: ____April 1, 2018________________
(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.

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

☒ 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.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

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

**PROVIDER:** Sequoia Living, Inc.
**COMMUNITY:** Sequoia – Portola Valley

X

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

| | | RESIDENTIAL LIVING | ASSISTED LIVING | SKILLED NURSING |
|---|---|---|---|---|
| **[1]** | Monthly Service Fees at beginning of reporting period: (indicate range, if applicable) | $4,074 - $11,339 | $4,074 -$11,339 | $4,074 -$11,339 |
| **[2]** | Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) | 4.50% | 4.50% | 4.50% |

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

**[3]** Indicate the date the fee increase was implemented: April 1, 2018
(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.

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

☒ 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.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

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

**PROVIDER:** Sequoia Living, Inc.
**COMMUNITY:** Tamalpais

# Part 8

**SEQUOIA LIVING, INC.**

**December 31, 2018**

The projected and forecast financial information included in Part 8 of this Report has been prepared by, and is the responsibility of, the Company's management. PricewaterhouseCoopers LLP has not audited, reviewed, examined, compiled nor applied agreed-upon procedures with respect to the accompanying projected and forecast financial information and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP report included in this document relates to the Company's previously issued financial statements. It does not extend to the projected and forecast financial information and should not be read to do so.

# KEY INDICATORS REPORT

**Date Prepared: 4/26/2017**

**Chief Executive Officer Signature**

## Sequoia Living

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | Projected 2019 | Forecast 2020 | 2021 | 2022 | 2023 | Preferred Trend Indicator |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **OPERATIONAL STATISTICS** | | | | | | | | | | | |
| **1. Average Annual Occupancy by Site (%)** | See next page | | | | | | | | | | N/A |
| **MARGIN (PROFITABILITY) INDICATORS** | | | | | | | | | | | |
| **2. Net Operating Margin (%)** | -10.02% | -9.64% | -4.98% | -5.40% | -4.70% | 1.41% | 1.03% | 1.15% | 0.57% | 0.34% | ↑ |
| **3. Net Operating Margin - Adjusted (%)** | 14.89% | 16.15% | 18.79% | 17.66% | 17.26% | 22.76% | 22.59% | 22.72% | 22.06% | 21.87% | ↑ |
| **LIQUIDITY INDICATORS** | | | | | | | | | | | |
| **4. Unrestricted Cash and Investments ($000)** | $57,819 | $98,102 | $106,320 | $109,180 | $109,638 | $116,023 | $119,227 | $124,110 | $130,778 | $137,848 | ↑ |
| **5. Days Cash on Hand (Unrestricted)** | 261 | 425 | 453 | 442 | 412 | 479 | 479 | 484 | 495 | 506 | ↑ |
| **CAPITAL STRUCTURE INDICATORS** | | | | | | | | | | | |
| **6. Deferred Revenue from Entrance Fees ($000)** | $120,298 | $128,151 | $134,856 | $141,053 | $141,480 | $142,895 | $144,324 | $145,767 | $147,225 | $148,697 | N/A |
| **7. Net Annual E/F proceeds ($000)** | $20,965 | $22,344 | $22,641 | $21,485 | $17,964 | $18,503 | $19,058 | $19,630 | $20,219 | $20,826 | N/A |
| **8. Unrestricted Net Assets ($000)** | $16,344 | $5,380 | -$277 | $32,811 | $24,870 | $24,845 | $24,820 | $24,795 | $24,771 | $24,746 | N/A |
| **9. Annual Capital Asset Expenditure ($000)** | $27,225 | $15,008 | $29,274 | $33,590 | $40,031 | $39,630 | $39,234 | $38,842 | $38,453 | $38,069 | N/A |
| **10. Annual Debt Service Coverage Revenue Basis (x)** | 0.28 | -0.04 | 0.74 | 2.04 | 0.07 | 0.52 | 0.55 | 0.60 | 0.62 | 0.62 | ↑ |
| **11. Annual Debt Service Coverage (x)** | 3.85 | 3.04 | 4.11 | 4.08 | 4.71 | 4.47 | 4.94 | 5.03 | 5.14 | 5.44 | ↑ |
| **12. Annual Debt Service/Revenue (%)** | 5.63% | 5.71% | 5.19% | 4.89% | 4.83% | 4.78% | 4.73% | 4.69% | 4.64% | 4.59% | ↓ |
| **13. Average Annual Effective Interest Rate (%)** | 4.08% | 3.97% | 3.51% | 4.92% | 3.43% | 4.57% | 4.48% | 4.55% | 4.57% | 4.60% | ↓ |
| **14. Unrestricted Cash & Investments/ Long-Term Debt (%)** | 76.01% | 85.42% | 85.36% | 108.92% | 111.99% | 118.55% | 125.01% | 133.07% | 143.36% | 154.68% | ↑ |
| **15. Average Age of Facility (years)** | 15.25 | 14.29 | 13.34 | 13.23 | 11.41 | 12.22 | 12.40 | 12.43 | 13.43 | 14.43 | ↓ |

# KEY INDICATORS REPORT

**Date Prepared: 4/26/2017**

## Sequoia Living

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

| | | | | | | Projected | Forecast | | | | Preferred Trend Indicator |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | |
| **OPERATIONAL STATISTICS** | | | | | | | | | | | |
| **1. Average Annual Occupancy by Site (%)** | | | | | | | | | | | **N/A** |
| Seqouias - San Francisco | 86% | 94% | 93% | 97% | 95% | 96% | 96% | 96% | 96% | 96% | |
| Sequoias - Portola Valley | 88% | 98% | 99% | 97% | 94% | 96% | 96% | 96% | 96% | 96% | |
| Tamalpais | 92% | 94% | 91% | 94% | 93% | 94% | 94% | 94% | 94% | 94% | |

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
**DEPARTMENT OF SOCIAL SERVICES**
744 P Street • Sacramento, CA 95814 • *www.cdss.ca.gov*

CDSS
PAT LEARY
ACTING DIRECTOR

GAVIN NEWSOM
GOVERNOR

April 25, 2019

Ms. Nan Boyd
Chief Financial Officer
Sequoia Living
1525 Post Street
San Francisco, California 94109-6567

Dear Ms. Boyd:

This is in response to your April 24, 2019, request for an extension for filing Sequoia Living's annual audited financial statements and reserve reports fiscal year ending December 31, 2018. The Department will allow the additional time and extend the due date to May 31, 2019. As a reminder, if the annual report is postmarked after that date, a $1,000 late fee will be imposed as of the original due date of April 30, 2019, and additional fines of $33 per day will accrue until the complete annual report is received.

This also extends the due date for the Key Indicators Report which must be postmarked by June 30, 2019. If not received by that date, the Department will impose a late fee of $1,000 as of the original due date of May 31, 2019, and additional fines of $33 per day will accrue until it is received.

If you have any questions, you may contact me at allison.nakatomi@dss.ca.gov or at (916) 654-0591.

Sincerely,

Allison Nakatomi

Allison Nakatomi, Manager
Continuing Care Branch