Sequoia Living, Inc.

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

Consolidated Financial Statements
December 31, 2018 and 2017

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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

(dollars in thousands)

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.

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.