Report of Independent Auditors and
Financial Statements

Viamonte Senior Living 1, Inc.

December 31, 2019 and 2018

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Report of Independent Auditors

To the Board of Directors
Viamonte Senior Living 1, Inc.

We have audited the accompanying financial statements of Viamonte Senior Living 1 (“VSL”), which comprise the balance sheet as of December 31, 2019, and the related statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

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

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, on January 1, 2019, VSL adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-01, *Financial Instruments*. The ASU has been applied through a modified-retrospective approach. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, as of and for the year ended December 31, 2019, VSL adopted FASB ASU No. 2016-18, *Restricted Cash*. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of Viamonte Senior Living 1 as of and for the year ended December 31, 2018, were audited by other auditors whose report thereon dated May 30, 3019, expressed an unmodified opinion on those statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Viamonte Senior Living 1, Inc. as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Francisco, California
April 29, 2020

Financial Statements

Viamonte Senior Living 1, Inc.
Balance Sheets
December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 308,284	$ 57,503
Accounts, notes and interest receivable	-	614,346
Investments designated for refundable deposits	15,586,930	15,113,385
Limited use assets, current	33,204,783	10,893,145
Total current assets	49,099,997	26,678,379
Property and equipment	126,690,273	49,508,435
Limited use assets, noncurrent	72,590,926	149,690,836
Deferred cost	-	1,622,666
Total assets	$ 248,381,196	$ 227,500,316
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 25,296,964	$ 4,698,020
Refundable deposits	15,586,930	15,112,800
Accrued interest payable	3,097,562	3,097,563
Due to related party	1,782,628	758,305
Total current liabilities	45,764,084	23,666,688
OTHER LIABILITIES		
Long term debt, net	184,307,828	182,996,333
Total liabilities	230,071,912	206,663,021
NET ASSETS		
Net assets without donor restrictions	(6,890,716)	(4,362,705)
Contributed net assets	25,200,000	25,200,000
Total net assets without donor restrictions	18,309,284	20,837,295
Total liabilities and net assets	$ 248,381,196	$ 227,500,316

See accompanying notes.

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Operating revenues, income and gains, net:		
Investment income including realized and unrealized gains and losses on investments	$ 152,483	$ 2,058,955
Other income	10,800	22,255
Total operating revenues, income and gains, net	163,283	2,081,210
Expenses		
Program Expenses		
Interest	-	4,985,501
Other program services	2,041,294	712,336
	2,041,294	5,697,837
Program support expense		
Administration	650,000	650,000
Total expenses	2,691,294	6,347,837
Deficit of operating revenues, income and gains, net, over expenses	(2,528,011)	(4,266,627)
Other changes:		
Unrealized gain on investments	-	50,379
Change in net assets without donor restriction before transfer	(2,528,011)	(4,216,248)
Transfer of net assets	-	2,272,783
Change in net assets without donor restrictions	(2,528,011)	(1,943,465)
Net assets at beginning of year	20,837,295	22,780,760
Net assets at end of year	$ 18,309,284	$ 20,837,295

Viamonte Senior Living 1, Inc.
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from investment income	$ 2,930,564	$ 1,494,987
Cash paid to suppliers	(916,145)	(1,809,098)
Interest paid, net of amount capitalized	-	(636,719)
Cash received from application processing fees	10,800	22,258
Cash provided by (used in) operating activities	2,025,219	(928,572)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash used for purchase of property and equipment	(57,587,618)	(23,244,549)
Cash used in investing activities	(57,587,618)	(23,244,549)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of debt	-	191,365,162
Payment of debt issuance cost	-	(9,620,047)
Refunds of refundable deposits paid	(3,300,809)	(2,568,295)
Proceeds from refundable deposits	3,774,939	7,482,920
Proceeds from related party	1,024,323	758,305
Proceeds from limited partner equity	-	2,272,783
Investment income from investments for refundable deposits	-	209,487
Cash provided by financing activities	1,498,453	189,900,315
Net increase in cash, cash equivalents and restricted cash	(54,063,946)	165,727,194
Beginning of year	175,754,869	10,027,675
End of year	$ 121,690,923	$ 175,754,869
NON CASH TRANSACTIONS		
Purchase of property and equipment, accrued but not paid	$ 25,296,964	$ 4,698,020

See accompanying notes.

NOTE 1 – CORPORATE PURPOSE AND STRUCTURE

Corporate purpose – Viamonte Senior Living 1 ("VSL") was formed in 2016 to develop and operate a Continuing Care Retirement Community in Walnut Creek, California which will provide housing and services to older persons.

Corporate structure – VSL is a nonprofit corporation principally organized to provide facilities and other means of care for elderly persons. VSL was formed by Sequoia Living, Inc. ("Sequoia Living"), formerly known as Northern California Presbyterian Homes and Services, Inc. which is the sole corporate member of VSL.

VSL is governed by a Board of Directors consisting of 4 to 6 members. Directors are appointed by Sequoia Living and at least 4 Directors must also be members of the Sequoia Living Board. Sequoia Living provides development and management services to VSL. In 2017, Sequoia Living contributed $22.9 million in predevelopment costs to VSL consisting of $6.17 million of property and equipment, $.76 million of deferred cost, and $16 million of cash. In 2018, the remaining cash contribution of $2.27 million was made. These contributed predevelopment costs are disclosed as 'Contributed net assets' on the Balance Sheet and as 'Transfer of net assets' on the Statement of Operations in 2018. In addition to management fees, Sequoia Living may receive incentive payments if VSL's financial performance exceeds agreed upon net operating margin targets.

The new facility (Viamonte) will consist of 174 independent living units, 6 assisted living units and 10 memory care units. The facility is being constructed to allow the delivery of assisted living services to independent living units.

The projected cost of the project is budgeted at $220 million and is expected to be completed in July 2020. VSL issued tax exempt revenue bonds insured by Cal Mortgage in the amount of $191.4 million including bond premium of $4.2 million to cover construction, funded interest and reserve requirements. 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 6). The bonds are designated as (a) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018A (VSL Project)" for $45.2 million; (b) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-1 (VSL Project – Entrance Fee Redemption)" for $80.0 million; (c) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-2" for $39.0 million (VSL Project – Entrance Fee Redemption)"; and (d) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-3 (VSL Project – Entrance Fee Redemption)" for $23.0 million. The Series 2018B-1, Series 2018B-2, and Series 2018B-3 bonds will mature on July 1, 2025, 2026 and 2027, respectively. VSL anticipates redeeming the 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. 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 without donor restrictions also include net assets contributed by Sequoia Living. There are no Board designated net assets without donor restrictions.
>
> **Net assets with donor restrictions** – Net assets that are subject to donor-imposed restrictions represent contributions that are limited in use by VSL in accordance with donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. VSL did not have any net assets with donor restrictions in 2019 or 2018.

Performance indicator – "Deficit of operating revenues, income, and gains, net, over expenses" as reflected in the accompanying statements of operations and changes in net assets is the performance indicator. The performance indicator excludes transfer of net assets.

In January 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10)*. The standard requires entities to measure equity investments that are not accounted for under the equity method or do not result in consolidation to be recorded at fair value and recognize any changes in fair value in the performance indicator. The new standard was adopted by VSL on January 1, 2019. The standard requires the use of the cumulative effect transition method, except for equity securities without readily determinable fair values, for which the standard requires the application of the prospective transition method. As a result, unrealized gains of $0.2 million for the year end December 31, 2019 are presented within deficit of operating revenues, income and gains, net, over expenses; had the standard been comparative, unrealized gains of $0.1 million would have been presented within deficit of operating revenues, income and gains, net, over expenses for the year ended December 31, 2018. Management determined no cumulative effect adjustment was necessary as of January 1, 2019. There was no net impact to change in total net assets.

Cash and cash equivalents – 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.

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash*, which amends (Topic 230), *Statement of Cash Flows* ("ASU 2016-18"). ASU 2016-18 requires that a statement of cash flows explains the change during the reporting period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. VSL has adopted ASU 2016-18 in the year ended December 31, 2019, and has revised the presentation of cash and cash equivalents and restricted cash on the statement of cash flows for all the periods presented. Upon adoption of ASU 2016-18, VSL recorded a decrease of $165.7 million in net cash provided by investing activities for the year ended December 31, 2018, related to reclassifying the changes in the restricted cash balance from operating activities and investing activities to the cash, cash equivalents and restricted cash balances on the statements of cash flows. The following table provides a reconciliation of the cash, cash equivalents and restricted cash balances within the balance sheets that sums to the total of the same amounts shown in the statements of cash flows:

	2019	2018
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 308,284	$ 57,503
Refundable deposits	15,586,930	15,113,385
Cash and cash equivalents in assets limited as to use	105,795,709	160,583,981
Total cash, cash equivalents and restricted cash on the statements of cash flows	$ 121,690,923	$ 175,754,869

Limited use assets – Limited use assets at December 31, 2019 and 2018, consist of cash, money market funds, and other investments whose use is held for capital projects and debt service reserve funds held with a trustee in accordance with indenture requirements. Amounts required to pay current liabilities are classified as current. The indenture terms require that the trustee control the expenditure of bond proceeds for capital projects. For limited use assets, net carrying value approximates fair value at period end.

Investments designated for refundable deposits – Investments designated for refundable deposits are subject to repayment based on executed continuing care contract or deposit agreement. These funds are held in cash and cash equivalents.

For investments designated for refundable deposits, net carrying value approximates fair value at period end.

Accounts, notes and interest receivable – Accounts, notes and interest receivable represent amounts due from prospective residents for deposits. As of December 31, 2019 and 2018, all accounts were deemed collectible.

Property and equipment – Property and equipment are recorded at cost. As of December 31, 2019 and 2018, property and equipment consist of $115.5 million and $38.3 million in construction in progress, respectively. Depreciation on these amounts will commence at the time the related assets are placed into service.

VSL evaluates whether events and circumstances have occurred that indicate whether the carrying value of long-lived assets have been impaired. In the event that VSL determines that impairment has occurred, a write-down to estimated fair value would be recorded. Measurement is based on those assets' estimated fair values as compared to the carrying value. No events have occurred during the years ended December 31, 2019 and 2018, that would indicate an impairment of value.

Interest costs incurred on borrowed funds, less investment income earned on unspent borrowed proceeds during the period of construction of long-lived assets, are capitalized and amortized over the related assets' estimated useful lives.

Deferred cost – Deferred cost represents unamortized direct sales and promotional costs incurred to obtain a contract with initial residents. In the year ended December 31, 2019, VSL determined that these costs did not meet the capitalization criteria under ASC Topic 606, *Revenue from Contracts with Customers.* ASC Topic 606 criteria for deferring certain costs of acquiring specific new contracts allow only the incremental cost of obtaining a contract with customer to be capitalized. Incremental costs are defined in ASC Topic 340 as costs that an entity incurs to obtain a contract that would not have been incurred had the contract not been obtained. Expenses incurred, whether or not a contract is obtained, can no longer be capitalized even if those costs directly relate to the acquisition of the contract. Therefore, the remaining unamortized deferred cost was written off in the year ended December 31, 2019 and new marketing costs were also expensed, which are recorded in other program expenses in the accompanying statements of operations and changes in net assets.

Deferred financing costs – Costs associated with the issuance of bonds are amortized over the term of the respective bonds using the effective interest method. As of December 31, 2019 and 2018, accumulated amortization was $3.3 million and $1.5 million, respectively. For the years ended December 31, 2019 and 2018, amortization expense was $1.8 million and $1.5 million, respectively, and capitalized as part of construction in progress as a component of property and equipment in the accompanying balance sheets. Deferred financing costs are included as a component of long term debt, net in the accompanying balance sheets.

Bond premium – The bond premium is netted with the related Series 2018 bonds and is amortized over the term of the bonds using the effective interest method. As of December 31, 2019 and 2018, accumulated amortization was $0.7 million and $0.3 million, respectively. For the years ended December 31, 2019 and 2018, amortization expense was $0.4 million and $0.3 million, respectively.

Continuing care contracts – VSL plans to enter into continuing care contracts with residents of Viamonte. Under the provisions of these contracts, residents will be asked to pay an entrance fee and periodic monthly fees for services and use of facilities. The resident fees will be subject to adjustment for changes in operating costs or other economic reasons. Resident fees will also be increased for residents who move to a higher level of care.

Two types of resident contracts will be offered to residents, fully amortizable and repayment. 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. Two versions of the repayment contracts will be offered, one with 50% repayment and the other with 75% repayment. An 80% repayment contract option was offered originally for "Charter Members". Pricing is expected to range from $0.5 million to $1.6 million in 2020 for residents that reserve prior to construction completion. Since the start of construction the base contract converted to 75% repayable and entrance fees will increase by approximately 5%. While under construction, the refundable deposit of the entrance fee and waitlist deposit are subject to full refundability until the resident moves in. Therefore, the full refundable deposit amount is recorded as an asset and liability.

The resident contract will include a discount upon permanent transfer to Assisted Living ("AL") or Memory Care ("MC"). This defined healthcare benefit is currently envisioned to consist of a 10% discount off of market rate AL and MC monthly fees.

As of December 31, 2019, $15.6 million in escrow deposits from prospective residents had been received, compared with $15.1 million at December 31, 2018. The deposits are fully refundable.

Revenue recognition – VSL accounts for revenue recognition under ASC Topic 606, *Revenue from Contracts with Customers*.

Investment income, including realized gains and losses on investments in the statement of operations is accounted for outside the scope of ASC 606.

Investment income – Investment income includes interest and dividend income earned on investments, net realized gains and losses on sales of investments, and unrealized gains and losses on trading securities after the adoption of ASU 2016-01 in 2019.

Concentration of credit risk – Financial instruments potentially subjecting VSL to concentrations of credit risk consist primarily of bank demand deposits in excess of the Federal Deposit Insurance Corporation insurance thresholds and cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds. Demand deposits are placed with local financial institutions, and management has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the financial statements. The risk associated with the investments is mitigated through diversification.

Use of 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, expenses, gains, and losses during the reporting period. Significant items subject to such estimates and assumptions include the fair values of investments. Actual results could differ from those estimates.

Fair value of financial instruments – VSL's financial instruments consist of accounts, notes and interest receivable, limited use assets, refundable deposits, and accounts payable. It is management's opinion that VSL is not exposed to significant interest rate or credit risk arising from these instruments. Unless otherwise indicated, the fair value of all reported assets and liabilities that represented financial instruments approximate their carrying values. VSL's policy is to recognize transfers in and transfers out of Level 1 and Level 2 as of the end of the reporting period. Please see Note 5 for fair value hierarchy disclosures.

New accounting pronouncements – In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 replaces the current incurred loss impairment methodology for credit losses with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. VSL will be required to use a forward-looking expected credit loss model for accounts receivable and other financial instruments. The adoption of ASU 2016-13 is effective for VSL beginning January 1, 2023. The adoption of ASU 2016-03 is not expected to have a material impact on VSL's financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”), to improve the effectiveness of disclosures in the note to the financial statements by facilitating clear communication of the information required by generally accepted accounting principles. The adoption of ASU 2018-13 is effective for VSL beginning January 1, 2020. Management is currently assessing the impact on VSL’s financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40)* ("ASU 2016-13"). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The adoption of ASU 2018-15 is effective for VSL beginning January 1, 2021. The adoption of ASU 2018-15 is not expected to have a material impact on VSL’s financial statements.

NOTE 3 – TAX STATUS

VSL has been granted an exemption from federal income tax under the Internal Revenue Code, Section 501(c)(3). This Internal Revenue Code section provides for taxation of certain unrelated business income. Management believes that VSL has had no significant unrelated business income to date. VSL is exempt from state income tax under similar provisions of the Franchise Tax Board of the State of California. At December 31, 2019 and 2018, there were no such uncertain tax positions.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018, consist of the following:

	2019	2018
Land	$ 11,211,075	$ 11,211,075
Construction in progress	115,479,198	38,297,360
Total property and equipment	$ 126,690,273	$ 49,508,435

VSL has entered into a contract with Cahill Construction of approximately $128 million for the development of the Viamonte facility of which approximately $87 million has been committed and yet to be spent as of December 31, 2019.

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health & Safety Code. Through December 31, 2019, VSL has expended $116.5 million for the Viamonte facility.

Capitalized interest expense for the year ended December 31, 2019 was $5.2 million, comprised of $7.5 million of interest expense net of $2.3 million of interest income. There was no capitalized interest expense recorded for the year ended December 31, 2018. There was additionally no depreciation expense recorded for the years ended December 31, 2019 or 2018.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are observable, either directly or indirectly, but are not quoted prices included within Level 1. Level 2 includes those financial instruments that are valued using external inputs with models or other valuation methodologies.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the balance sheets at December 31, 2019 and 2018, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Cash and cash equivalents – Level 1 securities include cash and cash equivalents, including those held in bond sinking funds and held for refundable deposits, as recapped below.

Limited use assets – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents held for investment and are valued at the closing price reported in the active market in which the individual security is traded. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics, discounted cash flows, or net asset values.

VSL's Board of Directors meets with management and the investment advisors to review the strategy and ongoing performance of all investments, including analyzing changes in fair value measurements from period to period.

Limited use assets at December 31 are held for the development and construction of the facility. The composition of limited use assets at December 31, 2019 and 2018 consisted solely of cash and cash equivalents, which are all classified as level 1 investments.

	2019	2018
California Health Facilities Financing Authority		
Revenue Bond Series 2018		
Project fund	$ 91,980,299	$ 140,823,194
Principal and interest fund	7,907,819	13,961,865
Debt service reserve fund	5,907,591	5,798,922
	105,795,709	160,583,981
Less: Current portion	(33,204,783)	(10,893,145)
Non-current portion	$ 72,590,926	$ 149,690,836

NOTE 6 – LONG TERM DEBT, NET

Long-term debt comprises the following at December 31:

	2019	2018
California Health Facilities Financing Authority		
Revenue Bond Series 2018, Series Bonds Payable		
Series 2018A interest at 3.5-5% maturing in 2047	$ 45,230,000	$ 45,230,000
Series 2018B-1 interest at 3% maturing in 2025	80,000,000	80,000,000
Series 2018B-2 interest 3% maturing in 2026	39,000,000	39,000,000
Series 2018B-3 interest 3% maturing in 2027	23,000,000	23,000,000
	187,230,000	187,230,000
Unamortized premium	3,436,126	3,879,052
Unamortized issuance costs	(6,358,298)	(8,112,719)
Total long-term debt, net	$ 184,307,828	$ 182,996,333

California Health Facilities Financing Authority requires a project fund for major capital improvements. $92.0 million and $140.8 million remains as of December 31, 2019 and 2018, respectively.

The revenue bonds are insured by the State of California, through its Cal Mortgage Loan Program. VSL is required to comply with certain debt covenants. As of December 31, 2019, management believes they are in compliance with all debt covenants.

Future principal payments on the bonds are as follows:

Year Ending December 31,		
2020	$	-
2021		-
2022		-
2023		-
2024		1,070,000
Thereafter		186,160,000
	$	187,230,000

NOTE 7 – FUNCTIONAL EXPENSE

Viamonte is under construction as described in Note 1. Functional areas have not been formed as of December 31, 2019. Program and support expenses include interest expense as well as marketing and administrative expenses intended to increase and maintain resident applicants while the facility is under construction. In order adopt ASC Topic 606, *Revenue from Contracts with Customers,* VSL recorded a write-off of all remaining unamortized deferred cost during the year ended December 31, 2019 and new marketing costs were also expensed. Other program services include $2.0 million and $0.7 million for marketing and sales center expenses for the year ended December 31, 2019 and 2018, respectively, and administration of $0.7 million for administrative support for both years ended December 31, 2019 and 2018.

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

VSL's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	2019	2018
Cash and cash equivalents	$ 308,284	$ 57,503
	$ 308,284	$ 57,503

VSL's liquidity management has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Additionally, limited use assets, current of $33.2 million and $10.9 million as of December 31, 2019 and 2018, respectively, although not broadly used for general expenditures, are managed for project expenditures as described in Note 5, which make up $25.3 million and $4.7 million of current liabilities, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS

VSL obtained a parcel of land in Walnut Creek from Senior Services for Northern California ("SSNC") on which the new Viamonte facility is being built.

SSNC borrowed $10 million from a third party in 2015 to purchase the land in Walnut Creek, California on behalf of Sequoia Living. Sequoia Living agreed to reimburse SSNC for any costs incurred by SSNC to acquire and hold the land including interest on the loan.

In 2017, VSL paid SSNC $11.2 million to acquire the land 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 receivable from related party did not occur until March 2018.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. VSL recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. VSL's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance date and before financial statements are issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated closings and shelter-in-place orders. Construction on the Viamonte project has been able to continue under the provision that the project qualifies as immediately necessary to provide critical services to elderly persons. The business disruption is causing supply chain uncertainties which will likely impact construction and owner contingencies. It is not possible for Viamonte to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on its operations and financial results at this time.

VSL has evaluated subsequent events through April 29, 2020, which is the date the financial statements were issued.

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