

**ANNUAL REPORT CHECKLIST**

FISCAL YEAR ENDED: July 31, 2022

PROVIDER(S):

Casa de las Campanas, Inc.

CCRC(S):

Casa de las Campanas, Inc.

PROVIDER CONTACT PERSON:

David Johnson, CFO

TELEPHONE NUMBER:

(858) 592-1885

E-MAIL ADDRESS:

johnson@casadlc.com

***A complete annual report must consist of 3 copies of all of the following:***

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$29,870
  - If applicable, late fee in the amount of: \$ \_\_\_\_\_
- Certification by the provider's **Chief Executive Officer** that:
  - The reports are correct to the best of his/her knowledge.
  - Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - The provider is maintaining the required liquid reserves and, when applicable, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- "Continuing Care Retirement Community Disclosure Statement" for **each** community.
- Form 7-1, "Report on CCRC Monthly Service Fees" for **each** community.
- Form 9-1, "Calculation of Refund Reserve Amount", if applicable.
- Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

**Casa de las Campanas**  
**Continuing Care Contract Annual Report**  
**Part 1**

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**FORM 1-1:RESIDENT POPULATION**

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	505
[2]	Number at end of fiscal year	495
[3]	Total Lines 1 and 2	1,000
		x.50
[4]	Multiply Line 3 by “.50” and enter result on Line 5.	
[5]	Mean number of continuing care residents	500
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	534
[7]	Number at end of fiscal year	512
[8]	Total Lines 6 and 7	1,046
		x.50
[9]	Multiply Line 8 by “.50” and enter result on Line 10.	
[10]	Mean number of <i>all</i> residents	523
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.96

**FORM 1-2: ANNUAL PROVIDER FEE**

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service - interest only)	39,563,155.00
[a] Depreciation	6,953,437.00
[b] Debt Service (Interest Only)	1,366,104.00
[2] Subtotal (add Line 1a and 1b)	8,319,541.00
[3] Subtract Line 2 from Line 1 and enter result.	31,243,614.00
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	0.96
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	29,869,612.00
[6] <b>Total Amount Due</b> (multiply Line 5 by .001)	<b>\$ 29,870.00</b>

**PROVIDER:** Casa de las Campanas, Inc.

**COMMUNITY:** Casa de las Campanas, Inc.

**Casa de las Campanas, Inc.**  
**Per Capita Cost Calculation Support**  
**As of 7/31/2022**

<b>Per Capita Costs;</b>	
<b>Form 1-2 line 5 – Total Operating Expense for Continuing Care Residents =</b>	<b>\$29,869,612</b>
<b>Form 1-1 line 5 – Mean # of Continuing Care Residents =</b>	<b><u>500.0</u></b>
<b>Per Capita Costs</b>	<b>\$59,739</b>

**PROVIDER:** Casa de las Campanas, Inc. FYE 7-31-2022  
**COMMUNITY:** Casa de las Campanas, Inc

**Casa de las Campanas**  
**Continuing Care Contract Annual Report**  
**Part 2**

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December 21, 2022

**Department of Social Services**

**Certification by Chief Executive Officer**

As Chief Executive Officer of Casa de las Campanas, I certify that the attached reports:

- 1) FY 2022 Audited Financial Statements with our CPA's opinion,
- 2) FY 2022 Audited Reserve Report Forms 5-1 to 5-5, with our accompanying CPA opinion, and related supplemental schedules thereto, including the disclosure report,
- 3) 2022 Continuing Care Provider's Fee and calculation fee,
- 4) Evidence of Fidelity Bond,
- 5) Continuing Care Retirement Community Disclosure Statement,
- 6) CCRC Monthly Fees,

are correct, that the continuing care contract form in use for new residents has been approved by the Department, and that the provider is maintaining the required liquid reserves, statutory reserves and refund reserves pursuant to requirements of the California Health and Safety Code.

Sincerely,

Jim Seifert  
President of the Board of Directors  
Casa de las Campanas, Inc.



**Casa de las Campanas**  
**Continuing Care Contract Annual Report**  
**Part 3**

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# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

12/22/2022

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> Arthur J. Gallagher Risk Management Services, Inc. 300 S. Riverside Plaza, Suite 1500 Chicago IL 60606  License#: BR-724491 LCSHOLD-05	<b>CONTACT NAME:</b> PHONE (A/C, No, Ext): 312-704-0100 FAX (A/C, No): 312-803-7443 E-MAIL ADDRESS:													
	<table border="1"> <tr> <th>INSURER(S) AFFORDING COVERAGE</th> <th>NAIC #</th> </tr> <tr> <td>INSURER A : XL Specialty Insurance Company</td> <td>37885</td> </tr> <tr> <td>INSURER B :</td> <td></td> </tr> <tr> <td>INSURER C :</td> <td></td> </tr> <tr> <td>INSURER D :</td> <td></td> </tr> <tr> <td>INSURER E :</td> <td></td> </tr> <tr> <td>INSURER F :</td> <td></td> </tr> </table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A : XL Specialty Insurance Company	37885	INSURER B :		INSURER C :		INSURER D :		INSURER E :		INSURER F :
INSURER(S) AFFORDING COVERAGE	NAIC #													
INSURER A : XL Specialty Insurance Company	37885													
INSURER B :														
INSURER C :														
INSURER D :														
INSURER E :														
INSURER F :														
<b>INSURED</b> Casa De Las Campanas, Inc. 18655 W. Bernardo Drive San Diego CA 92127														

**COVERAGES**                                  **CERTIFICATE NUMBER: 998539938**                                  **REVISION NUMBER:**

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	<b>COMMERCIAL GENERAL LIABILITY</b> <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:						EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$
	<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS ONLY						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	<b>UMBRELLA LIAB</b> <input type="checkbox"/> OCCUR <b>EXCESS LIAB</b> <input type="checkbox"/> CLAIMS-MADE  DED    RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	<input type="checkbox"/> Y <input type="checkbox"/> N	N/A				PER STATUTE    OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	Crime			ELU18364222	6/30/2022	6/30/2023	Limit: \$3,000,000 ERISA                          Retention: \$25,000 Included

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

**CERTIFICATE HOLDER**    **CANCELLATION**

Evidence of Insurance	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE 

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**Casa de las Campanas**  
**Continuing Care Contract Annual Report**  
**Part 4**

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**CASA DE LAS CAMPANAS**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JULY 31, 2022 AND 2021**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAcconnect.com](http://CLAcconnect.com)

**CASA DE LAS CAMPANAS  
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## INDEPENDENT AUDITORS' REPORT

Audit Committee of the Board of Directors  
Casa De Las Campanas  
San Diego, California

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Casa De Las Campanas (a California nonprofit health care entity) (the Organization), which comprise the consolidated statements of financial position as of July 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Casa De Las Campanas as of July 31, 2022 and 2021, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Casa De Las Campanas and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Casa De Las Campanas' ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

#### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

Audit Committee of the Board of Directors  
Casa De Las Campanas

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Casa De Las Campanas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Casa De Las Campanas' ability to continue as a going concern for a reasonable period of time.

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

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and the consolidating statements of activities for the years ended July 31, 2022 and 2021, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Irvine, California  
December 22, 2022

**CASA DE LAS CAMPANAS  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JULY 31, 2022 AND 2021**

<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 841,971	\$ 705,687
Cash Equivalent Assets Whose Use is Limited or Restricted for Current Liabilities (Note 5)	12,753,320	12,753,321
Invested Assets Whose Use is Limited or Restricted for Current Liabilities (Note 5)	4,230,850	4,160,922
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$47,913 and \$99,183, Respectively	924,631	1,100,686
Prepaid Expenses and Other Current Assets	2,692,744	1,928,757
Contributions Receivable	122,142	180,124
Current Portion of Costs of Acquiring Contracts	11,205	60,500
Total Current Assets	21,576,863	20,889,997
<b>ASSETS WHOSE USE IS LIMITED OR RESTRICTED, LESS AMOUNTS CLASSIFIED AS CURRENT</b>	14,264,329	15,180,310
<b>LONG-TERM INVESTMENTS</b>	97,781,472	111,770,246
<b>PROPERTY, BUILDINGS AND EQUIPMENT, NET</b>	91,233,253	121,816,620
<b>COST OF ACQUIRING CONTRACTS, NET OF CURRENT PORTION</b>	305,374	380,442
<b>DERIVATIVE INSTRUMENT</b>	11,256,871	2,188,218
Total Assets	\$ 236,418,161	\$ 272,225,833

*See accompanying Notes to Consolidated Financial Statements.*

**CASA DE LAS CAMPANAS**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**JULY 31, 2022 AND 2021**

	2022	2021
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 4,957,244	\$ 4,841,754
Interest Payable	141,382	144,916
Deposits from Residents	520,526	462,630
Refunds to Residents	4,000	473,960
Refundable Advance - Paycheck Protection Program	-	2,915,100
Current Portion of Obligations Under Capital Leases	31,375	28,147
Current Portion of Obligations Under Gift Annuity Contracts	333,850	343,922
Current Portion of Long-Term Debt	1,813,296	1,770,279
Current Portion of Estimated Refundable Entrance Fees	3,897,000	3,817,000
Total Current Liabilities	11,698,673	14,797,708
<b>NONCURRENT LIABILITIES</b>		
Retentions Payable	-	1,009,302
Obligations under Capital Leases, Net of Current Portion	67,674	99,049
Obligations under Gift Annuity Contracts, Net of Current Portion	1,294,135	1,517,972
Deferred Contributions, Pooled Income Funds	46,757	22,411
Long-Term Debt, Net of Current Portion, Unamortized Discount, and Deferred Financing Fees	71,190,135	73,003,414
Estimated Refundable Entrance Fees, Net of Current Portion	25,472,129	24,427,670
Deferred Revenue from Unamortized Entrance Fees	57,019,195	57,170,236
Total Noncurrent Liabilities	155,090,025	157,250,054
Total Liabilities	166,788,698	172,047,762
<b>NET ASSETS</b>		
Without Donor Restrictions	63,669,087	93,661,108
With Donor Restrictions	5,960,376	6,516,963
Total Net Assets	69,629,463	100,178,071
Total Liabilities and Net Assets	\$ 236,418,161	\$ 272,225,833

See accompanying Notes to Consolidated Financial Statements.



**CASA DE LAS CAMPANAS  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JULY 31, 2022**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Residents Fees Earned, Including Amortization of Deferred Revenues from Nonrefundable Entrance Fees	\$ 36,219,461	\$ -	\$ 36,219,461
Contributions	156,484	164,651	321,135
Total Support and Revenues	<u>36,375,945</u>	<u>164,651</u>	<u>36,540,596</u>
<b>OTHER SUPPORT</b>			
Grant - CARES Act	25,513	-	25,513
Donated Vehicles	-	8,300	8,300
Interest and Dividends, Net	8,646,482	540,333	9,186,815
Net Realized Gains on Sale of Investments	1,844,557	36,049	1,880,606
Net Unrealized Losses on Investments	(18,071,886)	(979,020)	(19,050,906)
Change in Value of Gift Annuity Contracts	(185,118)	(105,656)	(290,774)
Change in Value of Charitable Remainder Trusts and Pooled Income funds	-	(126,143)	(126,143)
Unrealized Gain on Derivative Instrument	9,068,653	-	9,068,653
Forgiveness of Refundable Advance (PPP Loan)	2,915,100	-	2,915,100
Loss on Disposal of Fixed Assets	(9,649)	-	(9,649)
Other Revenues	373,375	-	373,375
Total Other Support	<u>4,607,027</u>	<u>(626,137)</u>	<u>3,980,890</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>95,101</u>	<u>(95,101)</u>	<u>-</u>
Total Support and Revenues	41,078,073	(556,587)	40,521,486
<b>EXPENSES</b>			
Program Services	32,075,377	-	32,075,377
Supporting Services:			
Management and General	7,597,645	-	7,597,645
Total Expenses	<u>39,673,022</u>	<u>-</u>	<u>39,673,022</u>
<b>CHANGE IN NET ASSETS BEFORE IMPAIRMENT LOSS</b>	1,405,051	(556,587)	848,464
<b>LOSS ON IMPAIRMENT OF PROJECT UNDER UNDER CONSTRUCTION</b>	<u>(31,397,072)</u>	<u>-</u>	<u>(31,397,072)</u>
<b>CHANGE IN NET ASSETS</b>	(29,992,021)	(556,587)	(30,548,608)
Net Assets - Beginning of Year	<u>93,661,108</u>	<u>6,516,962</u>	<u>100,178,071</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 63,669,087</u>	<u>\$ 5,960,375</u>	<u>\$ 69,629,463</u>

See accompanying Notes to Consolidated Financial Statements.

**CASA DE LAS CAMPANAS  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JULY 31, 2021**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Residents Fees Earned, Including Amortization of Deferred Revenues from Nonrefundable Entrance Fees	\$ 38,474,167	\$ -	\$ 38,474,167
Contributions	113,483	307,388	420,871
Total Support and Revenues	38,587,650	307,388	38,895,038
<b>OTHER SUPPORT</b>			
Grant - CARES Act	284,501	-	284,501
Donated Vehicles	-	9,001	9,001
Interest and Dividends, Net	3,174,540	165,722	3,340,262
Net Realized Gains on Sale of Investments	2,554,482	91,769	2,646,251
Net Unrealized Gains on Investments	16,722,933	698,026	17,420,959
Change in Value of Gift Annuity Contracts	218,069	(40,556)	177,513
Change in Value of Charitable Remainder Trusts and Pooled Income Funds	-	123,031	123,031
Unrealized Gain on Derivative Instrument	2,188,218	-	2,188,218
Loss on Refinancing of Long-Term Debt	(2,789,719)	-	(2,789,719)
Loss on Disposal of Fixed Assets	(26,801)	-	(26,801)
Other Revenues	193,891	-	193,891
Total Other Support	22,520,114	1,046,993	23,567,107
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	212,495	(212,495)	-
Total Support and Revenues	61,320,259	1,141,886	62,462,145
<b>EXPENSES</b>			
Program Services	31,554,596	-	31,554,596
Supporting Services:			
Management and General	5,197,779	-	5,197,779
Total Expenses	36,752,375	-	36,752,375
<b>CHANGE IN NET ASSETS</b>	24,567,884	1,141,886	25,709,770
Net Assets - Beginning of Year	69,093,224	5,375,076	74,468,301
<b>NET ASSETS - END OF YEAR</b>	\$ 93,661,108	\$ 6,516,962	\$ 100,178,071

See accompanying Notes to Consolidated Financial Statements.

**CASA DE LAS CAMPANAS  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JULY 31, 2022**

	Residential Care	Program Services				Total	Management and General	Total Expenses
		Nursing Care	Clinic	Home Health				
Salaries and Benefits	\$ 8,030,220	\$ 5,822,998	\$ 740,223	\$ 484,846	\$ 15,078,287	\$ 2,739,112	\$ 17,817,399	
Contracted Services	963,255	1,134,537	978	46,143	2,144,913	2,541,896	4,686,809	
Supplies	608,829	614,219	2,038	779	1,225,865	66,681	1,292,546	
Raw Food	2,013,634	364,525	-	-	2,378,159	-	2,378,159	
Utilities	2,124,627	93,307	2,050	629	2,220,613	284,344	2,504,957	
Insurance	-	-	-	-	-	1,124,148	1,124,148	
Interest Expense	1,300,406	57,844	1,271	390	1,359,911	6,193	1,366,104	
Depreciation	6,836,794	109,369	1,363	418	6,947,944	5,493	6,953,437	
Bad Debt Expense	-	64,500	-	-	64,500	-	64,500	
Other Expenses	382,062	262,779	1,891	8,453	655,185	829,778	1,484,963	
<b>Total</b>	<b>\$ 22,259,827</b>	<b>\$ 8,524,078</b>	<b>\$ 749,814</b>	<b>\$ 541,658</b>	<b>\$ 32,075,377</b>	<b>\$ 7,597,645</b>	<b>\$ 39,673,022</b>	

Percentage of Total Expenses      56.1%      21.5%      1.9%      1.4%      80.8%      19.2%      100%

See accompanying Notes to Consolidated Financial Statements.

**CASA DE LAS CAMPANAS  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JULY 31, 2021**

	Program Services				Total
	Residential Care	Nursing Care	Clinic	Home Health	
Salaries and Benefits	\$ 7,605,096	\$ 5,865,955	\$ 650,791	\$ 553,414	\$ 14,675,256
Contracted Services	989,686	1,200,861	2,250	23,727	2,216,524
Supplies	592,706	727,786	24,132	698	1,345,322
Raw Food	1,900,674	382,116	-	-	2,282,790
Utilities	2,150,953	134,813	2,102	645	2,288,513
Insurance	-	-	-	-	-
Interest Expense	1,605,431	71,411	1,569	482	1,678,893
Depreciation	6,413,680	118,709	1,415	434	6,534,238
Bad Debt Expense	-	45,389	-	-	45,389
Other Expenses	258,920	221,808	2,218	4,722	487,668
<b>Total</b>	<b>\$ 21,517,146</b>	<b>\$ 8,768,848</b>	<b>\$ 684,477</b>	<b>\$ 584,122</b>	<b>\$ 31,554,593</b>

	Management and General	Total	Percentage of Total Expenses
Management and General	\$ 2,095,462	\$ 5,197,782	14.1%
<b>Total</b>	<b>\$ 36,752,375</b>	<b>\$ 36,752,375</b>	<b>100%</b>

	Home Health	Clinic	Nursing Care	Residential Care	Total	Percentage of Total Expenses
Home Health	\$ 584,122	\$ 684,477	\$ 8,768,848	\$ 21,517,146	\$ 31,554,593	85.9%
Clinic	-	2,218	221,808	258,920	487,668	1.6%
Nursing Care	-	-	221,808	258,920	487,668	1.9%
Residential Care	-	-	221,808	258,920	487,668	23.9%
<b>Total</b>	<b>\$ 584,122</b>	<b>\$ 684,477</b>	<b>\$ 8,768,848</b>	<b>\$ 21,517,146</b>	<b>\$ 31,554,593</b>	<b>85.9%</b>

See accompanying Notes to Consolidated Financial Statements.

**CASA DE LAS CAMPANAS  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JULY 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash Received from Residents and Third-Party Payors	\$ 24,150,945	\$ 23,406,357
Reimbursement for Services to Nonresidents	3,682,065	4,068,910
Grant – CARES Act	25,513	284,501
Contributions	379,116	302,493
Cash Paid to Suppliers and Employees	(33,474,183)	(26,367,276)
Cash Paid for Interest on Long-Term Debt and Capital Lease Obligations, Net of Amounts Capitalized of \$399,179 and \$344,167, Respectively	(1,689,816)	(2,330,169)
Net Cash Used by Operating Activities	(6,926,360)	(635,184)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital Expenditures	(8,512,373)	(12,171,281)
Sales of Investments	12,870,657	20,108,872
Purchases of Investments	(5,602,398)	(22,718,613)
Net Cash Used by Investing Activities	(1,244,114)	(14,781,022)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Entrance Fees	11,857,014	9,723,603
Refunds of Entrance Fees	(2,470,588)	(4,457,868)
Net Change in Resident Deposits	57,896	14,342
Payment of Deferred Financing Fees	-	(47,182)
Principal Payments on Obligations Under Capital Leases	(28,147)	(20,689)
Proceeds from Issuance of Long-Term Debt	-	15,351,772
Principal Payments on Long-Term Debt	(1,845,000)	(1,364,000)
Principal Payments on Bonds	-	(50,000)
Net Cash Provided by Financing Activities	7,571,175	19,149,978
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	(599,299)	3,733,772
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	13,459,008	9,725,236
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	\$ 12,859,709	\$ 13,459,008
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION</b>		
Accrued Capital Expenditures	\$ 706,796	\$ 1,950,652
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Issuance of Debt to Refinance Series 2017, 2014, and 2010 Bonds	\$ -	\$ 77,000,000
Debt Issuance Costs Financed Through Proceeds	\$ -	\$ 843,499
Issuance of Capital Lease Obligations	\$ -	\$ 127,196
<b>SUPPLEMENTAL SCHEDULE - CASH RECONCILIATION</b>		
Cash and Cash Equivalents	\$ 841,971	\$ 705,687
Cash Equivalent Assets Whose use is Limited or Restricted for Current Liabilities	12,753,320	12,753,321
Total Cash, Cash Equivalents, and Restricted Cash	\$ 13,595,291	\$ 13,459,008

See accompanying Notes to Consolidated Financial Statements.

**CASA DE LAS CAMPANAS**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JULY 31, 2022 AND 2021**

	2022	2021
<b>RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH, CASH EQUIVALENTS, AND RESTRICTED CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ (30,548,608)	\$ 25,709,770
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation	6,953,437	6,539,940
Amortization of Deferred Financing Fees	74,738	112,153
Amortization of Bond Discount	-	2,780
Loss on Refinancing of Long-Term Debt	-	2,789,718
Amortization of Costs of Acquiring Contracts	44,818	58,165
Change in Allowance for Doubtful Accounts	(51,270)	(179,778)
Amortization Contract Revenues from Entrance Fees	(8,805,141)	(10,399,288)
Loss on Impairment of Construction Projects	31,397,072	-
Loss on Disposal of Fixed Assets	9,649	26,801
Interest and Dividend Reinvestment	(9,186,815)	(3,340,262)
Reinvestment of Net Realized Gains on Sale of Investments	(1,880,606)	(2,646,251)
Net Unrealized (Gains) Losses on Investments	19,050,906	(17,420,959)
Deferred Contributions, Pooled Income Fund	24,346	7,626
Change in Value of Charitable Remainder Trusts and Pooled Income Funds	(126,143)	123,031
Change in the Value of Gift Annuity Contracts	(290,774)	177,513
Unrealized Gains on Derivative Instrument	(9,068,653)	(2,188,218)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	227,325	53,399
Prepaid Expenses and Other Current Assets	(841,813)	60,874
Contributions Receivable	57,981	(172,504)
Other Receivables	-	54,126
Costs of Acquiring Contracts	79,546	(53,315)
Accounts Payable and Accrued Expenses	(893,812)	566,032
Interest Payable	(3,534)	(453,302)
Refundable Advance - Paycheck Protection Program	(2,915,100)	-
Obligations Under Gift Annuity Contracts	(233,909)	(63,235)
Net Cash Provided (Used) by Operating Activities	\$ (6,926,360)	\$ (635,184)

See accompanying Notes to Consolidated Financial Statements.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

Casa De Las Campanas (Casa) was incorporated on September 19, 1990, as a California nonprofit corporation for the purposes of constructing, owning, and operating a continuing care retirement community (CCRC). The facility includes 359 independent living units, 41 assisted living units with a capacity of 56 beds, 18 dementia/assisted living units with a capacity of 27 beds, and an adjacent 97-bed skilled nursing facility. Casa provides housing, health care, and other related services to the elderly by honoring their dignity and promoting independence.

Casa operates under the continuing care concept whereby residents enter into agreements that require payment of a onetime entrance fee and a monthly charge. Generally, these payments will entitle residents to the use and privileges of the facility for life. The residence agreement does not entitle the residents to an ownership interest in the property.

Casa Foundation (the Foundation), a California nonprofit public benefit corporation, was established in 1994 to solicit contributions from the general public in support of Casa. The Foundation's board of directors consists of five members, three of whom are also members of the Casa board of directors and the remaining two are Casa residents in good standing. Funds of the Foundation are distributed to Casa for the benefit of its residents and operations as determined by the Foundation's board of directors. The Foundation's assets, liabilities, net assets, and results of operations are included in the accompanying consolidated financial statements.

**Consolidation Policy**

The accompanying consolidated financial statements include the accounts of Casa and the Foundation (collectively, the Organization). Intercompany transactions and balances have been eliminated in consolidation.

**Nature of Programs**

The Organization provides services for the following program areas:

**Residential Care**

Residential care facilities for the elderly (RCFE) are activities under licensed housing arrangements where varying levels and intensities of care and supervision, protective supervision, or personal care are provided to residents based upon their varying needs. RCFEs provide a range of services that exclude medical care, but include the following: meals, shelter, laundry, transportation, supervision with medications, and assistance with the activities of daily living depending on the level of care that includes independent living, assisted living, and assisted living - dementia care. Independent living is an active, independent lifestyle with abundant services and amenities and unlimited access to on-site health care.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Nature of Programs (Continued)**

**Residential Care (Continued)**

Residents can transition from independent living to the higher levels of care, including assisted living or assisted living – dementia care, which includes 24-hour assistance in developing individualized care with the activities of daily living, medication management, and specialized activity programs for both cognitive and physical stimulation. RCFEs comply with certain conditions of licensure and operation as required and enforced by the California Department of Social Services (CDSS).

**Nursing Care**

Nursing care services are provided to residents requiring 24-hour skilled nursing care licensed by the California Department of Public Health. This includes 24-hour supportive care to patients whose primary need is for skilled nursing care on an extended basis. This supportive care includes developing individualized care with the activities of daily living, medication management, and specialized activity programs for both cognitive and physical stimulation. Additional services include a skilled team of therapists and other professional staff.

**Clinic**

The Wellness Clinic provides personal care services to assist residents in remaining independent, with services that include assistance and monitoring upon return from the hospital or Casa's nursing care center. In addition, the Wellness Clinic also provides assistance with vital signs, bathing, medication management, dressing changes as ordered by a resident's physician, and other daily activities. Certain contracts allocate services at limited specific times at no additional costs to monthly fees but, if exceeded, would result in coordination of additional services with home health.

**Home Health**

Home Health is a fee-for-service personal caregiving service that includes assistance with bathing, dressing, escorts to appointments, housekeeping, laundry, and other daily activities.

**Basis of Presentation**

The accompanying consolidated financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). References to ASC hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

The Organization's resources are classified for accounting and reporting purposes into net asset categories according to the existence or absence of "donor-imposed" restrictions. Generally, the donors of these assets permit the Organization to use all, or part of the income earned on related investments for general or specific purposes.



**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Basis of Presentation (Continued)**

Accordingly, the net assets of the Organization are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets without donor restrictions are net assets that are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired. Unrestricted net assets represent the funds that are fully available, at the discretion of management and the board of directors, for the Organization to utilize in its program or supporting service activities.

*Net Assets with Donor Restrictions* – Net assets with donor restrictions are net assets composed of contributions that are subject to donor-imposed stipulations by either stipulations that contributions are to be maintained in perpetuity or stipulations that can be fulfilled by the actions of the Organization pursuant to those restrictions or those that expire by the passage of time. When the donor-imposed restrictions expire (that is, when a time restriction ends or a purpose restriction is fulfilled), restricted net assets are reclassified as net assets without donor restrictions.

Board-designated net assets are net assets without donor restrictions subject to self-imposed limits by actions of the Organization's board of directors. Board-designated net assets may be earmarked for future programs, investment, construction of property, or other uses.

**Performance Indicator**

The consolidated statements of activities present the Organization's changes in net assets without donor restrictions. Changes in net assets that are excluded from this performance indicator, consistent with industry practices, include net assets released from restrictions for capital purposes, and contributions of capital assets.

**Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

**Assets Whose Use is Limited or Restricted**

Assets whose use is limited or restricted include (a) investments held by trustees and the Organization under debt agreements, (b) investments held in escrow accounts for Department of Social Services refund reserve and subscription and wait list deposit obligations, and (c) net assets restricted by donors. These assets include cash and cash equivalents and investments in debt and equity securities, which are stated at fair value in the accompanying consolidated financial statements. Amounts available to repay current liabilities are presented as current assets.

**Investments**

In accordance with U.S. GAAP, investments are measured at fair value. Investment income or loss (including interest, dividends, and realized gains or losses) is reported as support unless the income is restricted by donor or law. Since investments are classified as trading securities, unrealized gains and losses on investments are included in total support and revenues.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Accounts Receivable, Net**

Accounts receivable represent the Organization's unconditional right to consideration for monthly fees, health care receivables, including managed care receivables from third-party payors, and receivables due from residents for uncollected entrance fees, and are stated at estimated net realizable value. An allowance for doubtful accounts is established based upon management's estimate of uncollectible accounts. Collections on accounts previously written off are included in income as received.

**Long-Lived Assets**

The Organization recognizes impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amounts. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors. There was no such loss for the year ended July 31, 2021. Refer to Note 7 for impairment loss recognized during the year ended July 31, 2022.

**Property, Buildings, and Equipment**

Property, buildings, and equipment are stated at cost. Major improvements and betterments in excess of the Organization's capitalization policy of \$2,500 are capitalized. Maintenance and repairs are expensed as incurred. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives of the related assets are as follows:

Buildings and Improvements	40 Years
Property Held Under Capital Leases	3 to 5 Years
Furniture and Equipment	3 to 15 Years
Vehicles	3 to 5 Years

**Derivative Instrument - Interest Rate Swap**

In accordance with the provisions of FASB ASC 815, *Derivatives and Hedging*, the Organization uses simplified hedge accounting and presents the changes in fair value of its interest rate swap as other support in the accompanying consolidated statement of activities, and these changes are excluded from the Organization's performance indicator.

**Deferred Financing Fees**

Deferred financing fees incurred in connection with the issuance of long-term debt are amortized using the effective interest method over the term of the associated debt. Amortization of deferred financing fees is included in interest expense in the accompanying consolidated statements of financial position.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Revenue Recognition from Contracts with Customers**

The Organization enters into continuing care residency contracts with its customers. The Organization recognizes revenue for residency, assistance with activities of daily living, memory care services, inpatient therapy, health care services, and related personalized health services in accordance with the provisions of FASB ASC 606, *Revenue from Contracts with Customers*. Generally, the Organization is deemed to have Type A life care contracts that are all-inclusive continuing care contracts that include residential facilities, other amenities, and access to health care services, primarily assisted living and nursing care, although occasionally the Organization enters into modified rental contracts. At July 31, 2022 and 2021, the Organization had two and one rental contracts, respectively.

Type A contracts are deemed to have one performance obligation: The CCRC is standing ready each month to provide a service that allows the resident to continue to live in the CCRC and have access the appropriate level of care based on his or her needs. A Type A contract also allows the resident the ability to cancel the residency care agreement at any time, and thus, because of this provision, the resident agreement for a Type A life care CCRC resident is deemed to be a monthly contract with the option to renew.

**Contract Revenues**

The following is a description of the services provided and the accounting policies related to the contracted services.

*Entrance Fees* – The Type A residency contract provides each resident with a material right to occupy an appropriate-level living unit for life and to receive certain services for which residents are required to pay an entrance fee. Upon execution of a deposit agreement, \$20,000 of the entrance fee is payable with the remaining balance due on or before occupancy by the resident(s). Residents may cancel their residence agreement at any time up to 90 days after establishing residency at Casa and will be refunded the full amount of the entrance fee paid, less an application fee of \$1,000.

After the 90-day period has expired, residents are entitled to receive various amounts of refunds based upon one of the three agreements covering Casa as of July 31, 2022 and 2021, as follows:

- *Standard Resident Agreement (147 agreements)* – If cancellation occurs in the first seven and a half years of residency, the resident shall be refunded the entrance fee, less 10% of the amount paid, and 1% for each month or partial month that they were a resident. After seven and a half years of residency, no refund is made. If the resident expires after the 90-day cancellation period, no refund is made, and the unamortized entrance fee is recognized into income. This agreement is no longer offered.
- *Refundable 2% Plan (180 agreements)* – Residents (or their estates) are entitled to a decreasing portion of the entrance fee that is refundable after the first 90 days, less 2% per month if the resident cancels or terminates the agreement. If Casa terminates the entrance fee agreement, the refund will be decreased for reasonable cost of services including a processing fee.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Revenue Recognition from Contracts with Customers (Continued)**

**Contract Revenues (Continued)**

- *Refundable 75% Plan (60 agreements)* – Residents (or their estates) are entitled to a refund of 75% of the entrance fee paid.

*Resident Fees* – Resident living services fees, which are for basic support services, are paid on a monthly basis. Monthly fees are established at the inception of occupancy and may be increased by Casa according to economic necessity, which is related to the percentage change in the prior-year per capita cost of operating expenses of Casa for furnishing services to the residents. Revenue for resident fees is recognized as the Organization satisfies the performance obligation, which is monthly.

*Health Care Services* – The Organization also receives revenue for health care services from residents and various third-party insurance payors. Health care fees are generally assessed at a predetermined fixed daily rate contracted with the third-party payors and private-pay residents and are recorded net of the provision for contractual allowances or discounts and implicit price concessions provided to residents, which represents the difference between established rates and per diem reimbursement. Revenue for health care fees is recognized as the performance obligations are satisfied.

**Contract Assets and Contract Liabilities**

The following are assets and liabilities resulting from contracts with customers.

*Deferred Revenue from Unamortized Entrance Fees* – Fees paid by a resident upon entering a continuing care retirement contract, net of estimated future refunds, are recorded as deferred revenue from unamortized entrance fees and are amortized to income over time using the straight-line method over the remaining life expectancy of the resident. The period of amortization is adjusted annually based on the actuarially determined estimated remaining life expectancy of each individual or joint and last survivor life expectancy of each pair of residents occupying the same unit, as published in Section 1792.2 of the State of California Continuing Care Contract Statutes.

*Estimated Refundable Entrance Fees* – Estimated refundable entrance fees represent amounts contractually refundable under the refundable agreement types covering Casa, which are computed based on the specific terms of the individual contracts. A current portion is recorded based on current and historical refund experience.

*Deposits from Residents* – Deposits from residents represent refundable security deposits from residents.

**Costs of Acquiring Contracts**

*Costs of Acquiring Contracts* – These costs represent unamortized incremental costs of acquiring contracts, which primarily consists of commissions paid to salespeople. These assets are amortized on a straight-line basis over the duration of the contract.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Income Taxes**

Casa and the Foundation are exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and corresponding California provisions, except to the extent of unrelated business taxable income (UBTI) as defined by the IRC. Casa and the Foundation maintain their tax-exempt status by devoting their resources to meet the primary needs of aged persons for the provisions of housing, health care, and financial security. The Organization evaluates uncertain tax positions through its review of the sources of income to identify UBTI and certain other matters, including those that may affect its tax-exempt status. The effect of the uncertainty would be recorded if the outcome were considered probable and reasonably estimable. As of July 31, 2022 and 2021, the Organization had no uncertain tax positions requiring accrual.

**Charity Care**

Pursuant to its mission statement as described in Note 1, the Organization provides free services to those residents who are unable to pay all or a portion of their charges and those who meet certain eligibility criteria. Records are maintained to identify and monitor the level of charity care provided. For the year ended July 31, 2022, unreimbursed costs foregone for charity care amounted to \$211,379, and charitable gifts received to offset costs amounted to \$85,853. For the year ended July 31, 2021, unreimbursed costs foregone for charity care amounted to \$290,390, and charitable gifts received to offset costs amounted to \$94,358. The Organization used an average-cost-per-resident-day amount to determine unreimbursed costs based on widely accepted cost reporting methodologies.

**Public Contributions**

Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions of assets other than cash are recorded at their estimated fair value. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. There are no conditional promises to give at July 31, 2022 and 2021.

The Organization reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Public contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Public Contributions (Continued)**

Absent explicit donor stipulations (i.e., how long these long-lived assets must be maintained) these gifts are reported by the Organization as net assets without donor restrictions.

**In-Kind Service Contributions**

In accordance with U.S. GAAP, in-kind services are recognized if the services (a) create or enhance nonfinancial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. In addition, the Organization receives a significant amount of donated services from unpaid volunteers who are essential to the completion of the Organization's mission. However, these services have not been recorded in the consolidated financial statements since they do not meet the accounting criteria necessary for recognition. For the years ended July 31, 2022 and 2021, there were no in-kind service contributions recognized.

**Split-Interest Agreements**

The following instruments are recorded as income or net assets at the present value of the Organization's beneficiary interest:

**Charitable Remainder Trusts**

The Foundation is the beneficiary of charitable remainder trust agreements (the Trusts). The Trusts are irrevocable, and the beneficiary designation may not be changed. Upon the death of the beneficiaries, or other termination of the Trusts as defined, the remaining Trust assets become the property of the Foundation as stipulated in the Trust agreements. The beneficial interest in the Trusts is recorded at the expected fair value to be received by the Foundation. The Foundation calculated the expected fair value using the fair value of the Trusts at year-end, which is discounted at a rate of 3.6% and 1.2% as of July 31, 2022 and 2021, respectively, over the life expectancy of the Trusts' beneficiaries. The change in fair value of the Trusts is reflected in the consolidated statements of activities. All beneficial interests in charitable remainder trusts are included in the accompanying consolidated statements of financial position under assets whose use is limited or restricted and are classified as long term.

**Charitable Gift Annuities**

Donors have contributed assets to the Organization in exchange for a promise by the Organization to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. Under the terms of such agreements, no trust exists, as the assets are held by, and the annual liability is an obligation of, the Organization.

The contributed assets are recorded at fair market value on the date of receipt, and the liability obligation is recorded at the expected value of the annuity liability. The expected value of the annuity liability is the present value of future annuity payments, discounted at the prescribed federal mid-term rate at the date of the gift over the life expectancy of the donor or the designated beneficiary, as defined in the Insurance Code of the State of California.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Split-Interest Agreements (Continued)**

**Charitable Gift Annuities (Continued)**

Rates are based on the highest federal mid-term rate available over a three-month period, including the month of the gift. The change in fair value of the annuity liability is reflected in the consolidated statements of activities. The Organization is required to maintain a state-mandated reserve to cover its gift annuity liability. As of July 31, 2022 and 2021, the amount of the reserve was \$1,627,985 and \$1,861,894, respectively, and is included in the accompanying consolidated statements of financial position under assets whose use is limited or restricted. In addition, there were no voluntary reserves at July 31, 2022 and 2021.

**Pooled Income Fund**

The Foundation has formed one pooled income fund (the Fund). Donors have made irrevocable contributions of assets to the Fund in exchange for a promise by the Foundation to pay the actual income, as defined, earned on the donor's contribution for the remainder of the donor's or the donor's designated income beneficiary's lifetime. Upon the death of the donor or the designated income beneficiary, the value of his or her proportionate interest at the time reverts to the Foundation to be used for such purposes as the donor may have designated or, if there is no designation, as the Foundation's board of directors may determine.

The assets of the pooled income fund are held and managed by an outside trustee who is responsible for investing the assets and making the quarterly income distributions to the beneficiaries. The contributed assets are recorded at fair market value on the date of receipt, and contribution revenue is recorded at the present value of the fair value of assets received, discounted at a rate of 3.6% over the life expectancy of the donors or beneficiaries. The change in fair value of the contributed assets is reflected in the consolidated statements of activities. The assets under the pooled income fund are included in the accompanying consolidated statements of financial position under assets whose use is limited or restricted. The corresponding liabilities for pooled income funds are assessed at fair value and included in deferred contributions, pooled income funds in the accompanying consolidated statements of financial position.

**Functional Allocation of Expenses**

The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statements of functional expenses. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Expenses are allocated in the following ways: labor expenses, including salaries, payroll taxes, workers' compensation, and employee benefits are allocated based on the percentage of time that each employee spends providing resident services specific to the program or supporting function; nonlabor direct expenses are allocated based on each program's direct expenses; and indirect expenses are allocated based on the related expense allocation methodology, including dining expenses allocated based on the number of meals served. Occupancy, housekeeping, plant expenses, insurance, repairs, interest, and depreciation expenses are allocated based on the square footage of the building dedicated to the functional areas.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Use of Estimates**

The preparation of financial statements in accordance with U.S. GAAP 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fair Value of Financial Instruments**

Financial instruments included in the Organization's consolidated statements of financial position include cash and cash equivalents, investments, accounts receivable, and contributions receivable, payables arising in the ordinary course of business, split-interest agreements, and long-term debt. For cash and cash equivalents, accounts receivable, contributions receivable, and payables arising in the ordinary course of business, the carrying amounts represent a reasonable estimate of the fair values due to their short-term maturity. Split-interest agreements consist of numerous arrangements in which a donor establishes and funds a trust whereby the Organization is either the trustee or has a beneficial interest in the trust. With regard to trusts for which the Organization is the trustee, the corresponding assets and liabilities are recorded at fair value, and with regard to trusts for which the Organization has a beneficial interest, the Organization records an asset at the fair value of its interest in the net assets held by the trust. The fair value of long-term debt is determined using current applicable rates for similar instruments and approximates the carrying value of such debt.

Financial instruments are reflected at estimated fair value in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

*Level 2* – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; or
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.



**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Fair Value of Financial Instruments (Continued)**

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Investments with readily determinable fair values are reported at fair value as determined by quoted market prices (Level 1). The Organization's interest rate swap and investments that represent pooled investment funds that are not publicly traded, are reported at fair value based on the quoted market prices of the underlying securities (Level 2). The Organization's Level 2 investments include various government obligations that are held to maturity, as these investments mature in various dates through 2025.

Investments also include investments in limited partnerships and other alternative investments, which are in accordance with the Organization's investment policy and monitored through quarterly performance reviews. The alternative investments deal in and with securities of all kinds and descriptions. Publicly-traded securities within the alternative investments are generally valued by reference to closing market prices on one or more national securities exchanges or generally accepted pricing services selected by the custodial trustees of the respective alternative investments. Securities not valued by such pricing services are valued based upon bid quotations obtained from independent dealers in securities. In the absence of any independent quotations, securities will be valued by respective custodial trustees based on data obtained from the best available sources (Level 3). Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investment existed.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain assets could result in a different fair value measurement at the measurement date. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require transfer of financial instruments from one level to another. In such instances, the transfer is reported at the end of the reporting period. There have been no changes in the valuation methodologies used at July 31, 2022 and 2021, to value the Organization's assets and liabilities at fair value.

**Reclassifications**

Certain reclassifications have been made to the 2021 financial statements to conform to the current year presentation.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS**

The following table presents the Organization's revenue disaggregated by service and payor type for the years ended July 31:

	<u>2022</u>	<u>2021</u>
Revenue from Contracts with Customers:		
Entrances Fees, Amortized and on Terminated Contracts	\$ 8,805,141	\$ 10,408,788
Resident Fee Revenue:		
Monthly Fees and Ancillary Charges	22,768,478	22,774,351
Health-Care Services:		
Self-Pay Health-Care Center	382,547	765,784
Self-Pay Assisted Living - Dementia Care	71,096	133,225
Third-Party Payors (Medicare, HMO, Hospice, and Others, Net of Contractual Allowances and Discounts)	<u>4,237,751</u>	<u>4,525,410</u>
Total Revenues from Contracts with Customers	<u>\$ 36,265,013</u>	<u>\$ 38,607,558</u>

The beginning and end of year balances of the Organization's various contract receivables, contract assets, and contract liabilities were as follows:

	<u>July 31, 2022</u>	<u>July 31, 2021</u>	<u>July 31, 2020</u>
Accounts Receivable, Net of Allowance	<u>\$ 924,631</u>	<u>\$ 1,100,686</u>	<u>\$ 974,307</u>
Cost of Acquiring Contracts	<u>\$ 316,578</u>	<u>\$ 440,942</u>	<u>\$ 445,792</u>
Estimated Refundable Entrance Fees	<u>\$ 29,369,129</u>	<u>\$ 28,244,670</u>	<u>\$ 29,267,403</u>
Deferred Revenue from Unamortized Entrance Fees	<u>\$ 57,019,195</u>	<u>\$ 57,170,236</u>	<u>\$ 61,435,133</u>
Deposits from Residents	<u>\$ 520,526</u>	<u>\$ 462,630</u>	<u>\$ 448,288</u>
Refunds Payable to Residents	<u>\$ 4,000</u>	<u>\$ 473,960</u>	<u>\$ -</u>

**NOTE 3 CONCENTRATIONS OF CREDIT RISK**

**Financial Instruments**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, receivables, and an interest rate swap derivative. The Organization places its cash and cash equivalents and investments in several high-credit quality financial institutions. For the years ended July 31, 2022 and 2021, cash accounts at each institution were insured by the Federal Deposit Insurance Corporation for up to \$250,000.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 3 CONCENTRATIONS OF CREDIT RISK (CONTINUED)**

**Financial Instruments (Continued)**

Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements. The Organization mitigates these risks with an investment policy designed to limit the exposure and concentration while achieving optimal return within reasonable risk tolerances.

With respect to the receivables, the Organization's customer base consists of a large number of customers. The Organization performs credit evaluations and writes off uncollectible amounts as they become known.

**Business Operations**

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of an outbreak of a new strain of coronavirus (COVID-19). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase of the virus and its global exposure. In addition, several U.S. states, including California where the Organization is located, have declared a state of emergency.

Potential impacts to business due to COVID-19 include disruptions or restrictions on employees' ability to work. In addition, some of the Organization's suppliers are located in areas impacted by COVID-19, which could limit the ability to obtain sufficient materials and supplies for operations. COVID-19 could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could impact the Organization's operating results. Any of the foregoing events could be harmful to the Organization's business, and the Organization cannot anticipate all the ways in which a health epidemic such as COVID-19 could adversely impact it. Although management is continuing to monitor and assess the effects of the COVID-19 pandemic on the Organization, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

**NOTE 4 LIQUIDITY**

Casa regularly monitors its liquidity requirements to meet its operating needs, debt covenants, and other contractual commitments, while also striving to maximize the investment of its available funds. Casa operates with a balanced budget and anticipates collecting revenues and entrance fees designated to meet its operating and capital expenditures, which, together with other financial assets, is sufficient to cover its liquidity needs. In addition, a construction loan is available to partially fund the new construction of a 72-bed skilled nursing facility. Casa's unrestricted investment portion of the portfolio consists of highly liquid investments. Prudent investment management must be considered for the preservation of the funds for future use.

Casa's regulatory agreements require that Casa maintains at the end of each fiscal year not less than 200 days of cash on hand as based on the annual audited financial statements.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 4 LIQUIDITY (CONTINUED)**

Days of cash on hand is defined as the corporation's cash and cash equivalents and investments that are classified as either without donor restrictions or board-designated and excluding proceeds of short-term indebtedness, refundable entrance fees, and amounts held by the trustee determined in accordance with U.S. GAAP. In addition, Casa is subject to certain financial or operational covenants as noted in Note 5.

Furthermore, the CDSS requires that Casa, as a provider operating under a continuing care contract, must maintain three liquid reserve funds of qualifying assets. The three funds consist of (1) restricted assets held in a debt service reserve per the California Health & Safety Code (H&SC) Section 1792.3, (2) 75 days net operating expenses referred to as the operating expense reserve per H&SC Section 1792.4, and (3) the refund reserve requirement held under trust for the residents in the manner required by H&SC Section 1792.6 at an institution qualified to be an escrow agent. In addition, an independent actuarial opinion is required to be performed every five years per H&SC Section 1792.10.

Casa's financial assets available to meet general expenditures within one year of July 31, are as follows:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 821,489	\$ 671,390
Investments	92,943,972	106,428,153
Account Receivable, Net	924,631	1,100,686
Accrued Interest Income	<u>72,384</u>	<u>55,962</u>
Total Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 94,762,476</u>	<u>\$ 108,256,191</u>

Managing the assets of the Foundation is distinctly different from that of Casa due to the various endowments and related restrictions. The Foundation's asset management strategy is to provide a steady and where possible escalating cash flow that both supports the Foundation's operations and preserves the corpus of the endowments. Ultimately, this strategy provides a framework for maintaining a level of liquid reserves (cash and cash equivalents) that allows the Foundation to operate and maintain the endowments, as well as support the programmatic activities carried out in fulfillment of its charitable purpose to Casa from year to year, without the need to liquidate strategic investments of the endowments, as the Foundation receives many gifts to establish endowments that will exist in perpetuity.

The Foundation's financial assets available to meet general expenditures within one year of July 31, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 20,482	\$ 34,297
Investments	4,837,500	5,342,093
Contributions Receivable	122,142	180,124
Accrued Interest Income	<u>5,644</u>	<u>5,644</u>
Total Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 4,985,768</u>	<u>\$ 5,562,158</u>

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 4 LIQUIDITY (CONTINUED)**

Excluded from the amounts above are those investments that do not have immediate liquidity and are intended to be held for both short-term and long-term purposes and restrictions. Some of the assets without immediate liquidity may be available and liquid within one year. Prudent investment management must be considered for the preservation of the funds for future use. The Foundation has no debt and typically pays its obligations by the use of its cash and readily marketable investments.

Management is confident that the level of financial assets, including cash and cash equivalents as of July 31, 2022 and 2021, is more than adequate to support one year of normal operations and programmatic activities of Casa and the Foundation.

**NOTE 5 ASSETS WHOSE USE IS LIMITED OR RESTRICTED**

Assets whose use is limited or restricted were available for the following purposes for the years ended July 31:

	<u>2022</u>	<u>2021</u>
Held by Administrative Agent Under Loan Agreement	\$ 12,753,320	\$ 12,753,320
Refund Reserve*	11,005,804	11,335,152
Restricted by Donors	4,988,318	5,169,318
Charitable Gift Annuities	1,627,985	1,861,894
Charitable Remainder Trusts	646,140	723,462
Pooled Income Fund	<u>226,932</u>	<u>251,407</u>
Total Assets Whose Use is Limited or Restricted	31,248,499	32,094,553
Less: Amounts Required for Current Liabilities	<u>(16,984,170)</u>	<u>(16,914,243)</u>
Assets Whose Use is Limited or Restricted Less Current Liabilities and Cash Equivalents	<u>\$ 14,264,329</u>	<u>\$ 15,180,310</u>

\* In order to meet the refund reserve requirement for the years ended July 31, 2022 and 2021, CDSS approved for the reserve requirement to be secured by the escrow agreement and the deed of trust on the Organization's facilities, including real property. The Refund Reserves are held by US Bank and the required refund reserve also includes \$8,554,346 in Casa's real estate equity.

Assets whose use is limited or restricted are part of the Organization's investments, as further disclosed in Note 6.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 6 INVESTMENTS AND FAIR VALUE DISCLOSURES**

The Organization's investments are managed as a diversified portfolio governed by various third-party brokers and financial institutions in accordance with the Organization's investment policy. The composition of investments at fair value at July 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Money Market Funds	\$ 13,026,916	\$ 12,844,713
Domestic - Bond Mutual Funds	29,279,346	34,474,533
International - Bond Mutual Funds	3,059,265	3,829,358
Domestic - Equity (Including Mutual Funds)	28,000,602	34,051,826
International - Equity (Including Mutual Funds)	18,306,733	22,924,264
Balance Mutual Funds	11,044,038	11,396,869
Limited Partnership	90,023	104,088
Absolute Return	1,515,926	1,554,120
US Government Obligation	761,494	1,000,783
Real Asset Fund	15,523	21,630
Hedge Fund	6,638,630	6,823,159
Real Estate Partnership	16,645,335	14,115,994
Charitable Remainder Trusts	646,140	723,462
Total Investments	<u>129,029,971</u>	<u>143,864,799</u>
Less: Amounts Classified as Assets Whose Use is Limited or Restricted - Current and Noncurrent Long-Term Investments	<u>(31,248,499)</u> <u>\$ 97,781,472</u>	<u>(32,094,553)</u> <u>\$ 111,770,246</u>

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 6 INVESTMENTS AND FAIR VALUE DISCLOSURES (CONTINUED)**

Investment income and losses on cash equivalents, investments, and assets whose use is limited or restricted for the year ended July 31, 2022 are summarized as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Interest and Dividends	\$ 8,646,482	\$ 540,333	\$ 9,186,815
Realized Gains on Sales of Investments	1,844,557	36,049	1,880,606
Net Unrealized Loss on Investments	(18,071,886)	(979,020)	(19,050,906)
Change in Value of Gift Annuity Contracts, Pooled Income Funds, and Charitable Remainder Trust	(185,118)	(231,799)	(416,917)
Total	<u>\$ (7,765,965)</u>	<u>\$ (634,437)</u>	<u>\$ (8,400,402)</u>

Investment income and losses on cash equivalents, investments, and assets whose use is limited or restricted for the year ended July 31, 2021, are summarized as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Interest and Dividends	\$ 3,174,540	\$ 165,722	\$ 3,340,262
Realized Gains on Sales of Investments	2,554,482	91,769	2,646,251
Net Unrealized Gains on Investments	16,722,933	698,026	17,420,959
Change in Value of Gift Annuity Contracts, Pooled Income Funds, and Charitable Remainder Trust	218,069	82,475	300,544
Total	<u>\$ 22,670,024</u>	<u>\$ 1,037,992</u>	<u>\$ 23,708,016</u>

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 6 INVESTMENTS AND FAIR VALUE DISCLOSURES (CONTINUED)**

The following table presents the Organization's fair value hierarchy for those assets and related liabilities measured at fair value on a recurring basis as of July 31, 2022:

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets Measured at Fair Value:</b>				
Money Market Funds	\$ 13,026,916	\$ -	\$ -	\$ 13,026,916
<b>Mutual Funds:</b>				
Domestic - Bond Mutual Funds	29,279,346	-	-	29,279,346
International - Bond Mutual Funds	3,059,265	-	-	3,059,265
Domestic - Equity (Including Mutual Funds)	28,000,602	-	-	28,000,602
International - Equity (Including Mutual Funds)	18,306,733	-	-	18,306,733
Balanced Mutual Funds	11,044,038	-	-	11,044,038
Limited Partnerships	-	-	90,023	90,023
U.S. Government Obligations	-	761,494	-	761,494
Real Asset Fund	15,523	-	-	15,523
Charitable Remainder Trusts	-	-	646,140	646,140
<b>Total Assets Measured at Fair Value</b>	<b>\$ 102,732,423</b>	<b>\$ 761,494</b>	<b>\$ 736,163</b>	<b>104,230,080</b>
<b>Assets Measured at Net Assets Value:</b>				
Absolute Return Funds				1,515,926
Alternate Investment Funds				23,283,965
<b>Total Investments</b>				<b>\$ 129,029,971</b>
<b>Fair Value of Interest Rate Swap</b>	<b>\$ -</b>	<b>\$ 11,256,871</b>	<b>\$ -</b>	<b>\$ 11,256,871</b>
<b>Liabilities:</b>				
Obligation Under Gift Annuity Contracts	\$ -	\$ -	\$ 1,627,985	\$ 1,627,985
Deferred Contributions, Pooled Income Funds	-	-	46,757	46,757
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,674,742</b>	<b>\$ 1,674,742</b>



**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 6 INVESTMENTS AND FAIR VALUE DISCLOSURES (CONTINUED)**

The following table presents the Organization's fair value hierarchy for those assets and related liabilities measured at fair value on a recurring basis as of July 31, 2021:

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets Measured at Fair Value:</b>				
Money Market Funds	\$ 12,844,713	\$ -	\$ -	\$ 12,844,713
<b>Mutual Funds:</b>				
Domestic - Bond Mutual Funds	34,474,533	-	-	34,474,533
International - Bond Mutual Funds	3,829,358	-	-	3,829,358
Domestic - Equity (Including Mutual Funds)	34,051,826	-	-	34,051,826
International - Equity (Including Mutual Funds)	22,924,264	-	-	22,924,264
Balanced Mutual Funds	11,396,869	-	-	11,396,869
Limited Partnerships	-	-	104,088	104,088
U.S. Government Obligations	-	1,000,783	-	1,000,783
Real Asset Fund	21,630	-	-	21,630
Charitable Remainder Trusts	-	-	723,462	723,462
<b>Total Assets Measured at Fair Value</b>	<b>\$ 119,543,193</b>	<b>\$ 1,000,783</b>	<b>\$ 827,550</b>	<b>121,371,526</b>
<b>Assets Measured at Net Assets Value:</b>				
Absolute Return Funds				1,554,120
Alternate Investment Funds				20,939,153
<b>Total Investments</b>				<b>\$ 143,864,799</b>
<b>Fair Value of Interest Rate Swap</b>	<b>\$ -</b>	<b>\$ 2,188,218</b>	<b>\$ -</b>	<b>\$ 2,188,218</b>
<b>Liabilities:</b>				
Obligation Under Gift Annuity Contracts	\$ -	\$ -	\$ 1,861,894	\$ 1,861,894
Deferred Contributions, Pooled Income Funds	-	-	22,411	22,411
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,884,305</b>	<b>\$ 1,884,305</b>

**CASA DE LAS CAMPANAS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JULY 31, 2022 AND 2021**

**NOTE 6 INVESTMENTS AND FAIR VALUE DISCLOSURE (CONTINUED)**

For investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended July 31, 2022 and 2021, the reconciliation of beginning and ending balances is as follows:

	Limited Partnership	Charitable Remainder Trusts	Obligations Under Gift Annuity Contracts and Pooled Income Funds
Fair Value - August 1, 2020	\$ 136,768	\$ 635,035	\$ (1,939,914)
Net Realized Gains	-	-	-
Unrealized Loss	(18,511)	-	-
Changes in Value	-	88,427	55,609
Sales	(14,169)	-	-
Fair Value - July 31, 2021	104,088	723,462	(1,884,305)
Net Realized Gains	-	-	-
Unrealized Gains	87,514	-	-
Change in Value	-	(77,322)	209,563
Sale	(99,183)	-	-
Fair Value - July 31, 2022	<u>\$ 92,419</u>	<u>\$ 646,140</u>	<u>\$ (1,674,742)</u>

The following are the techniques used to determine fair values of the Organization's financial instruments:

Limited Partnerships

Limited Partnerships are valued based on the prorata interest in the net assets of the underlying investment as reported by the investment funds' investment managers or general partners. An advisor independently evaluates the valuation provided by the fund managers. This evaluation takes into consideration numerous factors that may include, but are not limited to, the following: attributes of the interest held, risks inherent in the inputs to the manager's valuation, restrictions on the disposition of the interest, and data reasonably available to market participants.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 6 INVESTMENTS AND FAIR VALUE DISCLOSURE (CONTINUED)**

Absolute Return Funds

Invest primarily in investment funds, limited partnerships, limited liability companies, or non-U.S. corporations. Valuation of interests in these funds is based on an amount equal to the prorata interests in net assets, which are stated at fair value and consistent with the measurement principles, as defined in FASB ASC 946, *Financial Services - Investment Companies*, of such investment funds as reported by the management of the investment funds monthly and adjusted for management and incentive fees, if any. In connection with these funds, there is a monthly redemption period, and there are no known unfunded commitments or redemption restrictions. Fair value of these funds has been estimated using net asset value per share as a practical expedient.

Alternative Investment Funds

Alternative investment funds invest primarily in investment funds that are not registered under the 1940 Act and invest in and actively trade securities and a variety of financial instruments using different strategies and techniques that may involve significant credit, market, and liquidity risks. The closely held entity fund strategy is to invest in collateralized debt obligations and other structured credit investments, while the hedge fund strategy is diversified amongst direct lending, distressed debt, equity long/short, event equities, and structured credit-type investments. Valuation of interests in these funds is based on an amount equal to the prorata interests in net assets, which are stated at fair value and consistent with the measurement principles in FASB ASC 946, *Financial Services - Investment Companies*, of such investment funds as reported by the management of the investment funds at least quarterly and adjusted for management and incentive fees, if any. In connection with these funds, there is a monthly redemption period, and there are no known unfunded commitments or redemption restrictions. Fair value of these funds has been estimated using net asset value per share as a practical expedient.

Charitable Remainder Trusts, Obligations Under Gift Annuity Contracts and Deferred Contributions, and Pooled Income Funds.

Fair values are estimated using present value techniques. The net present value is determined using investment returns consistent with the composition of the asset portfolios, life expectancies, and the appropriate federal interest rate and is adjusted annually.

**CASA DE LAS CAMPANAS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JULY 31, 2022 AND 2021**

**NOTE 7 PROPERTY, BUILDINGS, AND EQUIPMENT**

Property, buildings, and equipment are as follows at July 31:

	<u>2022</u>	<u>2021</u>
Land and Improvements	\$ 18,130,556	\$ 17,979,552
Buildings and Improvements	137,841,350	133,080,495
Property Under Capital Leases	127,196	232,354
Furniture and Equipment	12,611,382	12,784,861
Vehicles	1,177,031	1,229,591
Art Collection	300,678	300,678
Total	<u>170,188,193</u>	<u>165,607,531</u>
Less: Accumulated Depreciation and Amortization	<u>(80,481,061)</u>	<u>(76,021,611)</u>
Total	89,707,132	89,585,920
Construction in Progress	<u>1,526,121</u>	<u>32,230,700</u>
Property, Building, Equipment, Net	<u>\$ 91,233,253</u>	<u>\$ 121,816,620</u>

Depreciation expense for the years ended July 31, 2022 and 2021, amounted to \$6,953,440 and \$6,539,940, respectively.

Casa has several projects under construction and predevelopment. Total predevelopment and construction costs as of July 31, 2022 and 2021, amounted to \$1,526,121 and \$32,230,700, respectively, exclusive of any capitalized amounts. During the year ended July 31, 2022, existing circumstances and difficulties encountered during construction culminated in management assessing indicators of impairment for one project under construction and predevelopment, Casa's new health care center. Subsequent to year end, Management determined the costs were not recoverable and accordingly, effective July 31, 2022, total carrying costs of \$31,397,072 were realized as an impairment loss on the accompanying statement of activities.

Casa's estimated costs to complete construction of ongoing projects are approximately \$706,796 and \$30,136,265 as of July 31, 2022 and 2021, respectively. Outstanding commitments on these projects totaled approximately \$1,755,196 and \$1,950,652 as of July 31, 2022 and 2021, respectively.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 8 ENDOWMENT**

The Organization's endowment consists of various individual funds established for a variety of purposes. Net assets associated with endowment funds, including funds designated by the board of directors (the Board) to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board has interpreted the California Prudent Management of Institutional Funds Act (CPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**Composition and Changes in Endowment Net Assets**

In accordance with CPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The composition of endowment net assets is as follows at July 31:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
<u>2022</u>			
Donor-Restricted Endowment Funds	\$ -	\$ 4,635,521	\$ 4,635,521
Board-Designated Endowment Funds	4,523,463	-	4,523,463
Total Endowment Funds	<u>\$ 4,523,463</u>	<u>\$ 4,635,521</u>	<u>\$ 9,158,984</u>
<u>2021</u>			
Donor-Restricted Endowment Funds	\$ -	\$ 5,259,776	\$ 5,259,776
Board-Designated Endowment Funds	4,933,244	-	4,933,244
Total Endowment Funds	<u>\$ 4,933,244</u>	<u>\$ 5,259,776</u>	<u>\$ 10,193,020</u>

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 8 ENDOWMENT (CONTINUED)**

**Composition and Changes in Endowment Net Assets**

Changes in endowment net assets for the years ended July 31, 2022 and 2021, were as follows:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets - July 31, 2020	\$ 3,995,404	\$ 4,208,173	\$ 8,203,577
Investment Return:			
Investment Income, Net	166,168	161,883	328,051
Net Appreciation, (Realized/Unrealized)	804,016	791,587	1,595,603
Change in Value	-	10,284	10,284
Total Investment Return	<u>970,184</u>	<u>963,754</u>	<u>1,933,938</u>
Contributions	38,913	236,048	274,961
Transfers	120,844	-	120,844
Appropriation of Endowment Assets for Expenditure	<u>(192,101)</u>	<u>(148,199)</u>	<u>(340,300)</u>
Endowment Net Assets - July 31, 2021	4,933,244	5,259,776	10,193,020
Investment Return:			
Investment Income, Net	557,849	555,952	1,113,801
Net Appreciation, (Realized/Unrealized)	(946,763)	(941,089)	(1,887,852)
Change in Value	-	(133,593)	(133,593)
Total Investment Return	<u>(388,914)</u>	<u>(518,730)</u>	<u>(907,644)</u>
Contributions	76,216	55,128	131,344
Transfers	91,947	-	91,947
Appropriation of Endowment Assets for Expenditure	<u>(189,030)</u>	<u>(160,653)</u>	<u>(349,683)</u>
Endowment Net Assets - July 31, 2022	<u>\$ 4,523,463</u>	<u>\$ 4,635,521</u>	<u>\$ 9,158,984</u>

**Endowment 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 the law requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported as net assets with donor restrictions were \$964,595 and \$817,006 as of July 31, 2022 and 2021, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 8 ENDOWMENT (CONTINUED)**

**Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment funds that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted endowment funds that the Organization must hold in perpetuity, as well as quasi endowment funds established by the Board.

Under this policy, as approved by the Board, the endowment funds are invested in a manner that is expected to:

- produce a nominal average annual rate of return of 6.20% assuming 2.30% inflation, or an annual compound total rate of return of approximately 3.90% in excess of the rate of inflation, as measured by the National Urban Consumer Price Index (CPI), in the long-term portfolio; and
- perform above average in the comparable fund universe with volatility that is equal to or less than that of such similarly managed funds.

Actual returns in any given year may vary from the expected amounts, as past experience is not an indicator of future performance.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term return objectives, the Organization relies on a total return strategy in which investment returns and real growth are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). As asset allocation is the major determinant of investment performance, the endowment assets are allocated across a number of investment classes to provide diversification and achieve long-term return objectives. As a general policy guideline, the target asset allocations for quasi endowment funds are 75% for growth investments, including both equities and alternative investments, and 25% for fixed-income investments. The long-term portfolio will be invested in mutual and/or exchange-traded funds, hedge funds - fund of funds, limited partnerships, structured notes, and/or individually managed accounts that focus on specific style segments within each asset class. The asset allocation plan provides for diversification of assets in an effort to maximize the investment return and manage the risk of the endowment assets consistent with market conditions. Due to the fluctuation of market values, allocations within a specified range constitute compliance with the policy.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 8 ENDOWMENT (CONTINUED)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

Currently, the Organization's intent is to reinvest all dividends, interest, and capital gains in a long-term portfolio. The Organization has a spending policy that applies to all endowment funds that provides for a distribution of the percentage of assets that is sufficient to allow for growth in principal net of expected inflation and investment management fees. The formula for determining the distribution's percentage evaluates long-term expected rate of returns, inflation, and fees. In establishing this policy, the Organization considered the long-term expected return on its endowment funds. Accordingly, over the long term, the Organization expects that its current spending policy will allow its endowment funds to grow at a rate equal to or above the CPI. This is consistent with the Organization's objective to maintain the purchasing power of the endowment funds held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are as follows as of July 31:

	<u>2022</u>	<u>2021</u>
Net Assets With Donor Restrictions -		
Purpose Restrictions:		
Assets Restricted for Activities	\$ 51,827	\$ 56,367
Assets Restricted for Art	3,330	1,230
Assets Restricted for Art Collections	300,678	300,678
Assets Restricted for Capital Improvements	14,818	14,818
Assets Restricted for Chaplains	24,254	21,397
Assets Restricted for Charitable Remainder Trusts	328,550	377,934
Assets Restricted for Education Assistance	5,981	5,981
Assets Restricted for Employee Disaster and Assistance	6,320	6,813
Assets Restricted for Employee Scholarships	779,071	821,570
Assets Restricted for Health Care	272,216	422,868
Assets Restricted for Music Activities	329,930	321,896
Assets Restricted for Pooled Income	180,174	228,995
Assets Restricted for the Residential Fund	62	62
Assets Restricted for Residential Hardship	714,307	802,937
Assets Restricted for the Norte Library	18,360	19,856
Assets Restricted for the Sur Library	7,605	7,995
Assets Restricted for the Rose and Garden Club	18,520	19,963
Assets Restricted for the Rosenmeier Health Fund	42,728	40,837
Assets Restricted for Technology	216,133	175,000
Assets Restricted for Transportation	649,866	685,264
Assets Restricted for General Use	1,995,645	2,184,501
Total Net Assets With Donor Restrictions	<u>\$ 5,960,375</u>	<u>\$ 6,516,962</u>



**CASA DE LAS CAMPANAS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JULY 31, 2022 AND 2021**

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets were released from restrictions by incurring expenses, thereby satisfying the donor-restricted purposes or time requirements during the years ended July 31, as follows:

	2022	2021
Resident Hardships	\$ 95,101	\$ 25,853
Employee Scholarships	-	67,482
General Purpose	-	105,403
Capital Expenditures	-	13,757
Total	\$ 95,101	\$ 212,495

**NOTE 10 LONG-TERM DEBT**

**Refinancing Transaction**

In September 2020, the California Enterprise Development Authority (CEDA) refinanced Casa's 2017 Bonds, 2014 Bonds, and 2010 Bonds, and pursuant to the indenture, all proceeds are to be assigned to Casa de las Campanas, Inc. in order to fund the ongoing master plan renovation costs. The 2020 Note awarded the Organization as of September 2020, total borrowings amounting to \$77,000,000. The 2020 Note matures 15 years from the closing date and calls for a 360-month amortization with principal and any accrued interest paid monthly. The note bears interest at a fixed rate of 2.225% (under a related interest rate SWAP agreement), based on an index that is tied to the Organization's credit rating. The Note is secured by (i) a security interest in all the gross revenues of Casa and (ii) a lien on all real property and fixtures of Casa. This refinancing transaction resulted in a loss of \$2,789,718, which is included in the consolidated statements of activities for the year ended July 31, 2021. As part of the refinancing transaction Casa made all principal and interest payments to an escrow account as part of the defeasance of the Series 2017, Series 2014, and Series 2010 Bonds.

**Interest Rate Swap**

Effective September 23, 2020, Casa entered into an ISDA Master Agreement with a major financial institution (Counterparty). As part of the 2020 debt issuance, pursuant to the terms of the Swap Agreement, Casa will pay the Counterparty interest at a fixed rate of 0.97500% until October 1, 2035. The Counterparty will pay Casa interest at a variable rate equal to the one-month LIBOR rate. The variable interest rate resets monthly. The termination date of the agreement is October 1, 2035, unless terminated earlier as provided in the ISDA Agreement. At July 31, 2022, the variable interest rate was 0.10225%. As of July 31, 2022, the notional amount of the Swap Agreement was \$73,791,000, and the fair value of the Swap Agreement was an asset of \$11,256,871. Included in the fair value of the Swap Agreement is accrued interest, which is included in accrued interest payable on the consolidated statements of financial position.

**Prior Bond Debts**

In August 2017, CEDA issued \$39,000,000 Insured Revenue Bonds (Casa De Las Campanas, Inc.), Series 2017 (the 2017 Bonds), and pursuant to the indenture, all proceeds are to be assigned to Casa de las Campanas, Inc. The 2017 Bonds are issued to finance the ongoing construction, installation, furnishing, and equipping of improvements to the retirement care facility, which is expected to be ongoing for the next few years.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 10 LONG-TERM DEBT (CONTINUED)**

**Prior Bond Debts (Continued)**

The 2017 Bonds have a variable interest rate (the initial rate was 2.25%), call for monthly payments of interest only for the first 18 months (or earlier if desired and construction is completed), and have monthly payments of principal and interest based on a 25-year amortization schedule due thereafter. The 2017 Bonds mature through September 1, 2022 and can be redeemed prior to their maturity. Other provisions of the 2017 Bonds mirror existing 2010 Bonds and 2014 Bonds as further described below. The bonds were refinanced during the year ended July 31, 2021.

In December 2014, the CEDA issued \$19,000,000 Insured Revenue Bonds (Casa De Las Campanas, Inc.), Series 2014 (the 2014 Bonds), and pursuant to the indenture, all proceeds were assigned to Casa de las Campanas, Inc. The 2014 Bonds financed the construction, installation, furnishing, and equipping of improvements to the retirement care facility. The 2014 Bonds have a fixed annum interest rate of 2.67% and are set to mature at various dates through December 1, 2021 but can be redeemed prior to maturity. Mandatory sinking account payments are due annually starting January 1, 2017 through December 2021 and range from \$45,000 to \$50,000. Interest payments on the 2014 Bonds began on January 1, 2015. The bonds were refinanced during the year ended July 31, 2021.

In January 2010, the Association of Bay Area Governments Finance Authority for Nonprofit Corporations issued \$54,310,000 Insured Revenue Bonds (Casa De Las Campanas, Inc.), Series 2010 (the 2010 Bonds), and pursuant to the indenture, all proceeds were assigned to Casa de las Campanas, Inc. The 2010 Bonds are set to mature at various dates through September 1, 2037 but can be redeemed prior to maturity. Remaining annual principal payments range from \$1,375,000 to \$3,760,000. Interest on the 2010 Bonds is payable semiannually on March 1 and September 1 and is equal to all interest accrued during the period from the last such interest payment date to such current interest payment date. Casa used the proceeds of the 2010 Bonds, together with other available funds, to (i) refund the outstanding Series 2007 Bonds; (ii) fund a termination fee for a certain swap agreement in connection with the Series 2007 Bonds; (iii) finance the costs of the acquisition, construction, and equipping of certain facilities of Casa; (iv) fund a bond reserve account in an amount equal to the Bond Reserve Account Requirement for the 2010 Bonds; and (v) pay certain costs of issuance of the 2010 Bonds, including the insurance premium. The bonds were refinanced during the year ended July 31, 2021.

The 2017 Bonds, 2014 Bonds, and 2010 Bonds were secured by (i) a security interest in all the gross revenues of Casa and (ii) a lien on all real property and fixtures of Casa. A contract of insurance was entered into with the Office of Statewide Health Planning and Development of the State of California (the Office), pursuant to which the Office will insure the payment of the principal of, and interest on, these Bonds.

The 2014 and 2010 bonds required a debt service reserve fund to be maintained in an amount equal to the maximum annual bond service on all bonds outstanding as of the issuance date of the Bonds. The fund balance as of July 31, 2021, amounted to \$5,089,861, which is included in assets whose use is limited or restricted, as these amounts are held by a trustee under bond indenture.

**CASA DE LAS CAMPANAS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JULY 31, 2022 AND 2021**

**NOTE 10 LONG-TERM DEBT (CONTINUED)**

**Restrictive Covenants**

In connection with the issuance of the debt described above, Casa is subject to certain financial or operational covenants, such as limitations on the ability of Casa to incur indebtedness, dispose of property, or create liens on property. Casa is also required to maintain revenues at levels sufficient to provide coverage of debt service on the Bonds or any other indebtedness. As of July 31, 2022 and 2021, Casa was in compliance with these respective covenants.

Long-term debt was composed of the following at July 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Commercial Bank Note, Bears Interest at 2.225%, Calls for Monthly Interest and Principal Payments Through Maturity in October 2035.	\$ 73,791,000	\$ 75,636,000
Less: Unamortized Deferred Financing Fees	<u>(787,569)</u>	<u>(862,307)</u>
Total Long-Term Debt	73,003,431	74,773,693
Less: Current Portion of Long-Term Debt	<u>(1,813,296)</u>	<u>(1,770,279)</u>
Long-Term Portion of Long-Term Debt	<u>\$ 71,190,135</u>	<u>\$ 73,003,414</u>

The maturities of long-term debt and amortization of debt issuance costs for each of the next five years and in the aggregate are as follows:

<u>Year Ended July 31.</u>	Amortization of Deferred		Total
	Principal	Financing Fees	
2023	\$ 1,889,000	\$ (72,841)	\$ 1,816,159
2024	1,930,000	(70,920)	1,859,080
2025	1,976,000	(68,958)	1,907,042
2026	2,021,000	(66,947)	1,954,053
2027	2,069,000	(64,887)	2,004,113
Thereafter	63,906,000	<u>(443,016)</u>	63,462,984
Total	<u>\$ 73,791,000</u>	<u>\$ (787,569)</u>	<u>\$ 73,003,431</u>

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 11 CORONAVIRUS**

**Paycheck Protection Program**

In April 2020, Casa applied for and received funds under the Small Business Administration (SBA) Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in the amount of \$3,072,100. During the year ended July 31, 2020, the Organization made a voluntary partial payment of \$157,000. The application for these funds requires Casa to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Organization. This certification further requires Casa to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to its business. The receipt of these funds, and the forgiveness of the loan, is dependent upon Casa having initially qualified for the loan and qualifying for the forgiveness of such loan is based on future adherence to the forgiveness criteria. Therefore, the Casa has classified this loan as a conditional contribution for accounting purposes. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Company's financial position. On August 5, 2021, the SBA processed the Organization's PPP Loan forgiveness application and notified the Organization that the PPP Loan qualified for full forgiveness and accordingly, the Organization recognized forgiveness of the refundable advance on the accompanying consolidated statement of activities.

**Provider Relief Funds**

Under the CARES Act, the U.S. Department of Health & Human Services (HHS) was allocated \$175 billion in relief funds to be given to hospitals and other health care providers on the front lines of the COVID-19 response. These funds are also known as Provider Relief Funds (PRF). Payments from PRF are being distributed by HHS through various general distributions and targeted distributions. PRF payments may be used to cover lost revenue attributable to COVID-19 or health-related expenses, which include purchasing supplies and equipment, workforce training, reporting COVID-19 test results to federal, state, or local government, building or constructing temporary structures for COVID-19 patient care or non-COVID-19 patients, acquiring additional resourcing, and developing and staffing emergency operation centers. During the years ended July 31, 2022 and 2021, the Organization received PRF payments totaling \$25,513 and \$284,501, respectively. Management believes they are in compliance with all grant terms and as such, the funds are presented as grant revenues in the consolidated statements of activities.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

**Obligation to Provide Future Services**

Casa annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the present value of monthly fees and the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the monthly fees and deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with a corresponding charge to income. For the years ended July 31, 2022 and 2021, the obligation is discounted at 5.00% and 4.00%, respectively. At July 31, 2022 and 2021, the present value of the net cost of future services and the use of facilities did not exceed the anticipated revenues. Consequently, a liability has not been recorded.

**Obligations under Capital Leases**

Casa leases certain equipment under a capital lease agreement. As of July 31, 2022 and 2021, the cost of assets under the capital lease agreement amounts to \$127,196 for both years, with accumulated amortization of \$4,240 and \$2,120, respectively, which is included in property, buildings, and equipment in the accompanying consolidated statements of financial position and amortized over the applicable lease terms of 4 to 5 years. Amortization expense of capital leases in 2022 and 2021 amounted to \$2,120 and \$21,837, respectively, and is included in depreciation and amortization expense (see Note 7). Future minimum lease payments for fiscal year ended July 31, 2022, are \$102,617, including interest due of \$3,568 at 2.25%.

**Management Agreements**

Casa has a management agreement with Life Care Services LLC, which expires on July 31, 2027. Management fee expense related to this agreement, which is included in management and general expenses, was \$1,444,280 and \$1,415,515, inclusive of salary and benefits, for the years ended July 31, 2022 and 2021, respectively. Amounts due and payable under this agreement amounted to \$187,384 and \$208,849 at July 31, 2022 and 2021, respectively. Also under this agreement, the Organization had credits due totaling \$700,000 to offset future fees. Management fee expense may vary year to year, as certain amounts are based upon an incentive performance computation.

In October 2013, Casa entered into a development agreement with LCS Development LLC. The agreement covers services relating to the renovation and expansion of existing buildings and common spaces on the Casa campus, including the following: planning and development, assisting with financing, managing state and local approvals, arranging design and construction services, and handling certain bookkeeping functions. In July 2016, Casa completed an amendment to the development agreement with LCS Development LLC, which changed the development fee to 4.50% from 4.75% of the capital costs relating to the project. The development fee will be paid coinciding with achieving certain milestones throughout the development and construction phases of the renovation and expansion project, as detailed in the agreement. The renovation and expansion project commenced during 2015 and is expected to be completed within the next few years.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Management Agreements (Continued)**

Fee expense related to this development agreement, which is included in management and general expenses, was \$5,840 and \$4,738 for the years ended July 31, 2022 and 2021, respectively. There were no amounts due and payable under this development agreement July 31, 2022 and 2021, respectively.

**Purchase Commitment**

Casa is obligated to buy a minimum amount of electricity under a Master Energy Sales Agreement (the Agreement) that expires May 31, 2023. Casa may also sell excess energy back to the open market. As of July 31, 2022 and 2021, the remaining commitment under the Agreement amounted to \$476,861 and \$972,685, respectively. Expenditures under the Agreement amounted to \$486,731 and \$345,066 for the years ended July 31, 2022 and 2021, respectively.

**Litigation**

Casa may, from time to time, be involved in litigation and regulatory investigations that arise in the normal course of doing business. After consultation with legal counsel, and based on current facts and circumstances, management believes that resolution of such matters, if any, is not expected to have a material adverse effect on the financial position of Casa.

**Health Care Industry**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare program, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from resident and patient services. Management believes that the Organization is in substantial compliance with current laws and regulations.

**NOTE 13 BENEFIT PLAN**

Casa sponsors a 403(b) defined contribution plan (the Plan) covering all eligible employees. Eligible employees may defer their compensation as an employee contribution subject to current IRC limits. Casa currently makes matching contributions to the Plan in an amount equal to 50% of the employee contribution, which is not to exceed 3% of the eligible compensation. Casa contributions to the Plan for 2022 and 2021 amounted to \$250,272 and \$252,679, respectively.

**CASA DE LAS CAMPANAS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2022 AND 2021**

**NOTE 14 INSURANCE COVERAGE**

Since June 30, 2020, Casa de las Campanas has placed their workers' compensation coverage through BETA Risk Management Authority on a guaranteed cost basis with statutory limits. BETA Risk Management Authority holds a "Certificate of Consent to Self-Insure" by the state of California, Department of Industrial Relations. Casa de las Campanas does not have any assessment liability through their placement of coverage with BETA Risk Management Authority.

**Professional Liability**

Casa is insured for professional and general liability claims, including malpractice, under a claims-made policy for \$1,000,000 per occurrence and \$3,000,000 aggregate and \$32,500,000 program aggregate. Losses in excess of the limits are covered by an umbrella liability policy for up to \$10,000,000 per occurrence and \$50,000,000 aggregate. Deductibles under the policy currently range from \$-0- to \$1,000.

**Self-Insurance**

Casa was self-insured for workers' compensation claims for up to a maximum of \$250,000 per occurrence until July 31, 2009. Self-insured losses were accrued based upon Casa's consultant's estimates of the aggregate liability for uninsured claims incurred. As a requirement of this policy, Casa deposited funds into a workers' compensation escrow account to fund any potential unpaid claims, which is classified as a workers' compensation receivable. The balance of the workers' compensation receivable amounted to approximately \$52,000 at July 31, 2022 and 2021, for both years and is included in prepaid expenses and other current assets in the accompanying consolidated statements of financial position.

**NOTE 15 CONTINUING CARE RESERVE REQUIREMENTS**

Casa is subject to statutory reserve requirements. As of July 31, 2022 and 2021, Casa's reserves, as calculated in accordance with Continuing Care Statutes of the California Health and Safety Code, were in excess of such requirement.

**NOTE 16 SUBSEQUENT EVENTS**

Subsequent to year end, the Organization determined that impairment of certain assets existed, as further described in Note 7.

All events occurring after July 31, 2022, have been evaluated for possible adjustment to the consolidated financial statements or disclosure as of December 22, 2022, which is the date the consolidated financial statements were available to be issued. There were no adjustments to the consolidated financial statements or additional disclosures as a result of this evaluation.

**SUPPLEMENTARY INFORMATION**



**CASA DE LAS CAMPANAS**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JULY 31, 2022**

<b>ASSETS</b>	<u>Casa de las Campanas</u>	<u>Casa Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 821,489	\$ 20,482	\$ -	\$ 841,971
Cash Equivalent Assets Whose Use is Limited or Restricted, Required for Current Liabilities	12,753,320	-	-	12,753,320
Invested Assets Whose Use is Limited or Restricted, Required for Current Liabilities	4,230,850	-	-	4,230,850
Accounts Receivable, Net	924,631	-	-	924,631
Prepaid Expenses and Other Current Assets	2,687,099	5,645	-	2,692,744
Contributions Receivable	-	122,142	-	122,142
Current Portion of Costs of Acquiring Contracts	11,205	-	-	11,205
Total Current Assets	<u>21,428,594</u>	<u>148,269</u>	<u>-</u>	<u>21,576,863</u>
<b>INTERCOMPANY RECEIVABLES</b>		636,526	(636,526)	-
<b>ASSETS WHOSE USE IS LIMITED OR RESTRICTED LESS AMOUNTS CLASSIFIED AS CURRENT</b>	8,402,939	5,861,390	-	14,264,329
<b>LONG-TERM INVESTMENT</b>	92,943,972	4,837,500	-	97,781,472
<b>PROPERTY, BUILDING AND EQUIPMENT, NET</b>	90,932,575	300,678	-	91,233,253
<b>COST OF ACQUIRING CONTRACTS, NET OF CURRENT PORTION</b>	305,374	-	-	305,374
<b>DERIVATIVE INSTRUMENT</b>	11,256,871	-	-	11,256,871
<b>INTEREST IN CASA FOUNDATION</b>	11,714,135	-	(11,714,135)	-
Total Assets	<u>\$ 236,984,459</u>	<u>\$ 11,784,363</u>	<u>\$ (12,350,661)</u>	<u>\$ 236,418,161</u>

**CASA DE LAS CAMPANAS**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**JULY 31, 2022**

	Casa de las Campanas	Casa Foundation	Eliminations	Consolidated
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 4,933,773	\$ 23,471	\$ -	\$ 4,957,244
Interest Payable	141,382	-	-	141,382
Deposits from Residents	520,526	-	-	520,526
Refunds to Residents	4,000	-	-	4,000
Capital Leases	31,375	-	-	31,375
Current Portion of Obligations Under Gift Annuity Contracts	333,850	-	-	333,850
Current Portion of Long-Term Debt	1,813,296	-	-	1,813,296
Current Portion of Estimated Refundable Entrance Fees	3,897,000	-	-	3,897,000
Total Current Liabilities	<u>11,675,202</u>	<u>23,471</u>	<u>-</u>	<u>11,698,673</u>
<b>NONCURRENT LIABILITIES</b>				
Retentions Payable	-	-	-	-
Intercompany Payables	636,526	-	(636,526)	-
Obligations Under Capital Leases, Net of Current Portion	67,674	-	-	67,674
Obligations Under Gift Annuity Contracts, Net of Current Portion	1,294,135	-	-	1,294,135
Deferred Contributions, Pooled Income Funds	-	46,757	-	46,757
Long-Term Debt, Net of Current Portion, Unamortized Discount, and Deferred Financing Fees	71,190,135	-	-	71,190,135
Estimated Refundable Entrance Fees, Net of Current Portion	25,472,129	-	-	25,472,129
Deferred Revenue from Unamortized Entrance Fees	57,019,195	-	-	57,019,195
Total Noncurrent Liabilities	<u>155,679,794</u>	<u>46,757</u>	<u>(636,526)</u>	<u>155,090,025</u>
Total Liabilities	167,354,996	70,228	(636,526)	166,788,698
<b>NET ASSETS</b>				
Without Donor Restrictions	63,669,087	5,753,760	(5,753,760)	63,669,087
With Donor Restrictions	5,960,376	5,960,375	(5,960,375)	5,960,376
Total Net Assets	<u>69,629,463</u>	<u>11,714,135</u>	<u>(11,714,135)</u>	<u>69,629,463</u>
Total Liabilities and Net Assets	<u>\$ 236,984,459</u>	<u>\$ 11,784,363</u>	<u>\$ (12,350,661)</u>	<u>\$ 236,418,161</u>

**CASA DE LAS CAMPANAS  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED JULY 31, 2022**

	Casa de las Campanas	Casa Foundation	Eliminations	Consolidated
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
Support and Revenues:				
Residents Fees Earned, Including Amortization of Deferred Revenues from Nonrefundable Entrance Fees	\$ 36,265,013	\$ -	\$ (45,552)	\$ 36,219,461
Contributions	77,307	174,701	(95,524)	156,484
Net Assets Released from Restrictions, Used for Operations	-	95,101	-	95,101
Net Assets Released from Restrictions, Used for Capital	-	-	-	-
Total Support and Revenues	<u>36,342,320</u>	<u>269,802</u>	<u>(141,076)</u>	<u>36,471,046</u>
Other Support:				
Grant - CARES Act	25,513	-	-	25,513
Interest and Dividends, Net	8,081,754	564,728	-	8,646,482
Net Realized Gains on Sale of Investments	1,791,723	52,834	-	1,844,557
Net Unrealized Losses on Investments	(17,030,049)	(1,041,837)	-	(18,071,886)
Change in Value of Gift Annuity Contracts	4,176	(189,294)	-	(185,118)
Change in Value of Charitable Remainder Trusts and Pooled Income Funds	-	-	-	-
Unrealized Gain on Derivative Instrument	9,068,653	-	-	9,068,653
Forgiveness of Refundable Advance - Paycheck Protection Program	2,915,100	-	-	2,915,100
Loss on Disposal of Fixed Assets	(9,649)	-	-	(9,649)
Other Revenues, net	372,688	687	-	373,375
Total Other Support	<u>5,219,909</u>	<u>(612,882)</u>	<u>-</u>	<u>4,607,027</u>
Total Support and Revenues	41,562,229	(343,080)	(141,076)	41,078,073
Expenses:				
Program Services	32,048,134	122,767	(95,524)	32,075,377
Supporting Services:				
Management and General	7,515,021	128,176	(45,552)	7,597,645
Total Expenses	<u>39,563,155</u>	<u>250,943</u>	<u>(141,076)</u>	<u>39,673,022</u>
Total Changes in Net Assets Without Donor Restrictions	1,999,074	(594,023)	-	1,405,051

**CASA DE LAS CAMPANAS  
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JULY 31, 2022**

	Casa de las Campanas	Casa Foundation	Eliminations	Consolidated
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>				
Contributions	\$ -	\$ 164,651	\$ -	\$ 164,651
Donated vehicles	-	8,300	-	8,300
Interest and Dividends, Net	-	540,333	-	540,333
Net Realized Gains on Sale of Investments	-	36,049	-	36,049
Net Unrealized Gains on Investments	-	(979,020)	-	(979,020)
Net Assets Released from Restrictions, Used for Operations	-	(95,101)	-	(95,101)
Net Assets Released from Restrictions, Used for Capital Expenditures	-	-	-	-
Change in Value of Gift Annuity Contracts	-	(105,656)	-	(105,656)
Change in Value of Charitable Remainder Trust and Pooled Income Funds	-	(126,143)	-	(126,143)
Total Changes in Net Assets With Donor Restrictions	-	(556,587)	-	(556,587)
<b>CHANGE IN INTEREST IN CASA FOUNDATION</b>	(1,150,610)	-	1,150,610	-
<b>CHANGE IN NET ASSETS BEFORE IMPAIRMENT LOSS</b>	848,464	(1,150,610)	1,150,610	848,464
<b>LOSS ON IMPAIRMENT OF PROJECT UNDER UNDER CONSTRUCTION</b>	(31,397,072)	-	-	(31,397,072)
<b>CHANGE IN NET ASSETS</b>	(30,548,608)	(1,150,610)	1,150,610	(30,548,608)
Net Assets - Beginning of Year	100,178,071	12,864,745	(12,864,745)	100,178,071
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 69,629,463</u>	<u>\$ 11,714,135</u>	<u>\$ (11,714,135)</u>	<u>\$ 69,629,463</u>

**CASA DE LAS CAMPANAS**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JULY 31, 2021**

	Casa de las Campanas	Casa Foundation	Eliminations	Consolidated
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 671,390	\$ 34,297	\$ -	\$ 705,687
Cash Equivalent Assets Whose Use is Limited or Restricted, Required for Current Liabilities	12,753,321	-	-	12,753,321
Invested Assets Whose Use is Limited or Restricted, Required for Current Liabilities	4,160,922	-	-	4,160,922
Accounts Receivable, Net	1,100,686	-	-	1,100,686
Prepaid Expenses and Other Current Assets	1,923,113	5,644	-	1,928,757
Contributions Receivable	-	180,124	-	180,124
Current Portion of Costs of Acquiring Contracts	60,500	-	-	60,500
Total Current Assets	<u>20,669,932</u>	<u>220,065</u>	<u>-</u>	<u>20,889,997</u>
<b>INTERCOMPANY RECEIVABLES</b>	-	900,968	(900,968)	-
<b>ASSETS WHOSE USE IS LIMITED OR RESTRICTED, LESS AMOUNT CLASSIFIED AS CURRENT</b>	9,036,124	6,144,186	-	15,180,310
<b>LONG-TERM INVESTMENTS</b>	106,428,153	5,342,093	-	111,770,246
<b>PROPERTY, BUILDINGS, AND EQUIPMENT, NET</b>	121,515,942	300,678	-	121,816,620
<b>COST OF ACQUIRING CONTRACTS, NET OF CURRENT PORTION</b>	380,442	-	-	380,442
<b>DERIVATIVE INSTRUMENT</b>	2,188,218	-	-	2,188,218
<b>INTEREST IN CASA FOUNDATION</b>	<u>12,873,492</u>	<u>(8,747)</u>	<u>(12,864,745)</u>	<u>-</u>
Total Assets	<u>\$ 273,092,303</u>	<u>\$ 12,899,243</u>	<u>\$ (13,765,713)</u>	<u>\$ 272,225,833</u>

**CASA DE LAS CAMPANAS**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**JULY 31, 2021**

	Casa de las Campanas	Casa Foundation	Eliminations	Consolidated
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 4,829,667	\$ 12,087	\$ -	\$ 4,841,754
Interest Payable	144,916	-	-	144,916
Deposits from Residents	462,630	-	-	462,630
Refunds to Residents	473,960	-	-	473,960
Refundable Advance - Paycheck Protection Program	2,915,100	-	-	2,915,100
Current Portion of Obligations Under Capital Leases	28,147	-	-	28,147
Current Portion of Obligations Under Gift Annuity Contracts	343,922	-	-	343,922
Current Portion of Long-Term Debt	1,770,279	-	-	1,770,279
Current Portion of Estimated Refundable Entrance Fees	3,817,000	-	-	3,817,000
Total Current Liabilities	<u>14,785,621</u>	<u>12,087</u>	<u>-</u>	<u>14,797,708</u>
<b>NONCURRENT LIABILITIES</b>				
Retentions Payable	1,009,302	-	-	1,009,302
Intercompany Payables	900,968	-	(900,968)	-
Obligations under Capital Leases, Net of Current Portion	99,049	-	-	99,049
Obligations under Gift Annuity Contracts, Net of Current Portion	1,517,972	-	-	1,517,972
Deferred Contributions, Pooled Income Funds	-	22,411	-	22,411
Long-Term Debt, Net of Current Portion, Unamortized Discount, and Deferred Financing Fees	73,003,414	-	-	73,003,414
Estimated Refundable Entrance Fees, Net of Current Portion	24,427,670	-	-	24,427,670
Deferred Revenue from Unamortized Entrance Fees	57,170,236	-	-	57,170,236
Total Noncurrent Liabilities	<u>158,128,611</u>	<u>22,411</u>	<u>(900,968)</u>	<u>157,250,054</u>
Total Liabilities	172,914,232	34,498	(900,968)	172,047,762
<b>NET ASSETS</b>				
Without Donor Restrictions	93,661,108	6,347,783	(6,347,783)	93,661,108
With Donor Restrictions	6,516,963	6,516,962	(6,516,962)	6,516,963
Total Net Assets	<u>100,178,071</u>	<u>12,864,745</u>	<u>(12,864,745)</u>	<u>100,178,071</u>
Total Liabilities and Net Assets	<u>\$ 273,092,303</u>	<u>\$ 12,899,243</u>	<u>\$ (13,765,713)</u>	<u>\$ 272,225,833</u>

**CASA DE LAS CAMPANAS  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED JULY 31, 2021**

	Casa de las Campanas	Casa Foundation	Eliminations	Consolidated
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
Support and Revenues:				
Residents Fees Earned, Including Amortization of Deferred Revenues from Nonrefundable Entrance Fees	\$ 38,607,558	\$ -	\$ (133,391)	\$ 38,474,167
Contributions	160,707	121,709	(168,933)	113,483
Net Assets Released from Restrictions, Used for Operations	-	198,738	-	198,738
Net Assets Released from Restrictions, Used for Capital	-	13,757	-	13,757
Total Support and Revenues	<u>38,768,265</u>	<u>334,204</u>	<u>(302,324)</u>	<u>38,800,145</u>
Other Support:				
Grant - CARES Act	284,501	-	-	284,501
Interest and Dividends, Net	2,991,377	183,163	-	3,174,540
Net Realized Gains on Sale of Investments	2,496,517	57,965	-	2,554,482
Net Unrealized Gains on Investments	15,978,681	744,252	-	16,722,933
Change in Value of Gift Annuity Contracts	-	218,069	-	218,069
Change in Value of Charitable Remainder Trusts and Pooled Income Funds	-	-	-	-
Unrealized Gain on Derivative Instrument	2,188,218	-	-	2,188,218
Loss on Refinancing of Long-Term Debt	(2,789,719)	-	-	(2,789,719)
Loss on Disposal of Fixed Assets	(26,801)	-	-	(26,801)
Other Revenues	193,891	-	-	193,891
Total Other Support	<u>21,316,665</u>	<u>1,203,449</u>	<u>-</u>	<u>22,520,114</u>
Total Support and Revenues	60,084,930	1,537,653	(302,324)	61,320,259
Expenses:				
Program Services	31,540,249	225,914	(211,567)	31,554,596
Supporting Services:				
Management and general	5,150,033	138,503	(90,757)	5,197,779
Total Expenses	<u>36,690,282</u>	<u>364,417</u>	<u>(302,324)</u>	<u>36,752,375</u>
Total Changes in Net Assets Without Donor Restrictions	23,394,648	1,173,236	-	24,567,884

**CASA DE LAS CAMPANAS  
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JULY 31, 2021**

	Casa de las Campanas	Casa Foundation	Eliminations	Consolidated
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>				
Contributions	\$ -	\$ 307,388	\$ -	\$ 307,388
Donated vehicles	-	9,001	-	9,001
Interest and Dividends, Net	-	165,722	-	165,722
Net Realized Gains on Sale of Investments	-	91,769	-	91,769
Net Unrealized Losses on Investments	-	698,026	-	698,026
Net Assets Released from Restrictions, Used for Operations	-	(198,738)	-	(198,738)
Net Assets Released from Restrictions, Used for Capital Expenditures	-	(13,757)	-	(13,757)
Change in Value of Gift Annuity Contracts	-	(40,556)	-	(40,556)
Change in Value of Charitable Remainder Trusts and Pooled Income Funds	-	123,031	-	123,031
Total Changes in Net Assets With Donor Restrictions	-	1,141,886	-	1,141,886
<b>CHANGE IN INTEREST IN CASA FOUNDATION</b>	<u>2,315,122</u>	<u>-</u>	<u>(2,315,122)</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	25,709,770	2,315,122	(2,315,122)	25,709,770
Net Assets - Beginning of Year	<u>74,468,301</u>	<u>10,549,623</u>	<u>(10,549,623)</u>	<u>74,468,301</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 100,178,071</u>	<u>\$ 12,864,745</u>	<u>\$ (12,864,745)</u>	<u>\$ 100,178,071</u>





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**CASA DE LAS CAMPANAS  
CONTINUING CARE RESERVE REPORT  
YEAR ENDED JULY 31, 2022**



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## INDEPENDENT AUDITORS' REPORT

Audit Committee and Board of Directors  
Casa De Las Campanas  
San Diego, California

### Report on the Audit of the Continuing Care Reserve Report

#### **Opinion**

We have audited the accompanying continuing care reserve report (the Report) of Casa de las Campanas (a not-for-profit health care entity), (the Organization) which comprises the continuing care liquid reserve schedules Form 5-1 through Form 5-5, as of July 31, 2022, and the related notes to continuing care reserve report for the year then ended.

In our opinion, the Report presents fairly, in all material respects, the liquid reserve requirements of Casa de las Campanas as of July 31, 2022, in accordance with report preparation provisions of California Health and Safety Code Section 1792.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Continuing Care Reserve Report* section of our report. We are required to be independent of Casa De Las Campanas and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Basis of Accounting**

We draw attention to Note 3 to the Report, which describes the basis of accounting. The Report is prepared on the basis of the financial reporting provisions of the California Health and Safety Code section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the California Health and Safety Code section 1792. As a result, the Report may not be suitable for another purpose. Our opinion is not modified with respect to that matter.

#### **Responsibilities of Management for the Continuing Care Reserve Report**

Management is responsible for the preparation and fair presentation of this Report in accordance with the financial reporting provisions prescribed or permitted by the California Health and Safety Code Section 1792, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Report that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility for the Audit of the Continuing Care Reserve Report***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Report, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Report.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Casa De Las Campanas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Report.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Casa De Las Campanas' ability to continue as a going concern for a reasonable period of time.

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

Audit Committee and Board of Directors  
Casa De Las Campanas

***Restriction on Use***

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Irvine, California  
December 22, 2022

**CASA DE LAS CAMPANAS  
NOTES TO CONTINUING CARE RESERVE REPORT  
YEAR ENDED JULY 31, 2022**

**NOTE 1 MISSION STATEMENT**

Casa de las Campanas (the Organization) is a not-for-profit continuing care retirement community (CCRC), providing seniors with the highest quality of care and services, honoring their dignity and promoting independence.

**NOTE 2 DESCRIPTION OF BUSINESS**

Casa de las Campanas was incorporated on September 19, 1990 as a California nonprofit corporation for the purposes of constructing, owning and operating a continuing care retirement community. The facilities include 359 independent living units, 41 assisted living units with a capacity of 56 beds, 18 dementia/assisted living units with a capacity of 27 beds, and an adjacent 97-bed skilled nursing facility. The Organization provides housing, health care and other related services to the elderly honoring their dignity and promoting independence.

The Organization operates under the continuing care concept whereby residents enter into agreements that require payment of a onetime entrance fee and a monthly charge. Generally, these payments will entitle residents to the use and privileges of the facility for life. The residence agreement does not entitle the residents to an ownership interest in the property.

**NOTE 3 CONTINUING CARE RESERVE REPORT BASIS OF PRESENTATION**

The California Health and Safety Code section 1792 requires continuing care contract providers to establish and maintain statutory and refund reserves to ensure financial resources will be available to fulfill contractual obligations to residents. The continuing care reserve report (the Report), which calculates reserve requirements, is prepared in accordance with the January 1, 2007 Annual Report Instructions provided by the state of California Department of Social Services. The Report is required to be submitted annually to the California Department of Social Services within four months of year-end.

**FORM 5-1  
LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR  
(INCLUDING BALLOON DEBT)**

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Principal Paid During Fiscal Year	Interest Paid During Fiscal Year	Credit Enhancement Premiums Paid in Fiscal Year	Total Paid (Columns (b) + (c) + (d))
1	9/23/2020	\$ 1,845,000	\$ 1,687,455	\$ -	\$ 3,532,455
2					-
3					-
4					-
5					-
6					-
7					-
8					-
		<b>Total</b>	\$ 1,687,455	\$ -	\$ 3,532,455

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

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

**Provider:** Casa de las Campanas, Inc. FYE 7-31-2022



**FORM 5-2  
LONG-TERM DEBT INCURRED DURING FISCAL YEAR  
(INCLUDING BALLOON DEBT)**

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments Over Next 12 Months	(e) Reserve Requirement (See Instruction 5) (Columns (c) x (d))
1					\$ -
2					-
3					-
4					-
5					-
6					-
7					-
8					-
<b>Total</b>		\$ -	\$ -	\$ -	\$ -

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

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

**Provider:** Casa de las Campanas, Inc. FYE 7-31-2022



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

Line		Amounts	Total
1	Total Operating Expenses from Financial Statements		<u>\$ 39,566,086</u>
2	Deductions:		
a.	Interest Paid on Long-Term Debt (See Instructions)	\$ 1,687,455	
b.	Credit Enhancement Premiums Paid for Long-Term Debt (See Instructions)	-	
c.	Depreciation	6,953,437	
d.	Amortization	74,738	
e.	Revenues Received During the Fiscal Year for Services to Persons Who Did Not Have a Continuing Care Contract	<u>3,682,065</u>	
f.	Extraordinary Expenses Approved by the Department	<u>-</u>	
3	Total Deductions		<u>12,397,695</u>
4	Net Operating Expenses		<u>27,168,391</u>
5	Divide Line 4b by 365 and Enter the Result		<u>74,434</u>
6	<b>Multiply Line 5 by 75 and Enter the Result.</b> This is the Provider's Operating Expense Reserve Amount		<u>\$ 5,582,546</u>

<b>Provider:</b>	Casa de las Campanas, Inc.	FYE 7-31-2022
<b>Community:</b>	Casa de las Campanas, Inc.	FYE 7-31-2022

**CASA DE LAS CAMPANAS  
SUPPORT SCHEDULE FOR FORM 5-4  
YEAR ENDED JULY 31, 2022**

**A. CALCULATION OF NET OPERATING EXPENSES, line 2e**

Reimbursement (Revenues) for Services to Nonresidents:	
Guest Rooms	\$ 65,920
Guest Meals	1,722
Employee Meals	8,673
Coffee Shop Income	21,496
Health Center - Non-CCRC Resident	3,513,158
Assisted Living Dementia Center - Non-CCRC Resident	71,096
Total Reimbursement (Revenues) for Services to Nonresidents	<u>\$ 3,682,065</u>
Reconciliation of Revenues to Audited Financial Statements:	
Total Reimbursement (Revenues) for Services to Nonresidents	\$ 3,682,065
Residential Revenues, Excluding the Above Nonresident Reimbursements	<u>32,537,396</u>
Total Resident Fees Earned, Including Amortization of Deferred Revenues from Entrance Fees	<u>\$ 36,219,461</u>

**B. CALCULATION OF NET OPERATING EXPENSES, line 2d**

Reconciliation of Amortization to Audited Financial Statements:	
Amortization of Deferred Financing Costs	\$ 74,738
Total Amortization	<u>\$ 74,738</u>

**C. CALCULATION OF NET OPERATING EXPENSES, line 2a**

Reconciliation of Interest Expense Paid to Audited Financial Statements:	
Interest Expense Paid on September 2020 Note	\$ 1,687,455
Other Interest Expense Paid on Long-Term Debt and Capital Lease Obligations	<u>2,361</u>
Total Interest Expense Paid on Long-Term Debt and Capital Lease Obligations (Net of amounts Capitalized of \$399,179)	<u>\$ 1,689,816</u>

**FORM 5-5  
ANNUAL RESERVE CERTIFICATION**

Provider Name: Casa de las Campanas, Inc.  
Fiscal Year Ended: July 31, 2022

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended July 31, 2022 and are in compliance with those requirements.

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

	<b>Amount</b>
[1] Debt Service Reserve Amount	<u>\$ 3,532,455</u>
[2] Operating Expense Reserve Amount	<u>5,582,546</u>
[3] <b>Total Liquid Reserve Amount:</b>	<u><b>\$ 9,115,001</b></u>

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

<u>Qualifying Asset Description</u>	<b>Amount (Market Value at End of Quarter)</b>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	_____	_____
[5] Investment Securities	_____	_____
[6] Equity Securities	_____	\$ 5,582,546
[7] Unused/Available Lines of Credit	_____	_____
[8] Unused/Available Letters of Credit	_____	_____
[9] Debt Service Reserve	<u>\$ 3,532,455</u>	N/A
[10] Other:	_____	_____
_____ (Describe Qualifying Asset)		
<b>Total Amount of Qualifying Assets Listed for Reserve Obligation:</b>	[11] <u>\$ 3,532,455</u>	[12] <u>\$ 5,582,546</u>
<b>Reserve Obligation Amount:</b>	[13] <u>\$ 3,532,455</u>	[14] <u>\$ 5,582,546</u>
<b>Surplus/(Deficiency):</b>	[15] <u>\$ -</u>	[16] <u>\$ -</u>

Signature: *David Johnson CFO*  
(Authorized Representative)

12/21/22  
Date

\_\_\_\_\_  
(Title)

**CASA DE LAS CAMPANAS  
RESERVE DISCLOSURES, FORM 5-5 SUPPORT  
JULY 31, 2022**

- [1] Held by Trustee under Loan Agreement \$12,753,320 includes:
  - Construction Fund of \$12,753,320 for future building improvements.  
This reserve is for future capital expenditure reimbursements per our loan documents.
  
- [2] Operating Expense Reserve of \$5,582,546.
  - Reserve requirement per DSS. Funds are held by our investment advisor, SEI and reported on our financials as unrestricted funds.
  
- [3] Refund Reserve Requirement \$19,560,149 includes:
  - Reserve requirement per DSS.
  - Funded by Real Estate \$8,554,346
  - Funded by Investments \$11,005,804
  
- [4] The following reserves are set up and consist of the following:
  - Restricted by Donors of \$4,988,318 for gifts received by our Foundation.
  - Charitable Gift Annuities of \$1,627,985 for gift annuity contracts.
  - Charitable Remainder Trusts of \$646,140 for CRT contracts by our Foundation.
  - Pooled Income Funds of \$226,932 for gifts received by our Foundation.
  
- [5] Debt Service Reserve of \$3,532,455.
  - Reserve requirement per DSS. Funds are held by our investment advisor, SEI and reported on our financials as unrestricted funds.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

**Casa de las Campanas  
Continuing Care Contract Annual Report  
Part 6**

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# CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE STATEMENT

Date Prepared: 11/30/2022

Facility Name: Casa de las Campanas, INC.

Address: 18655 W Bernardo Dr

Zip Code: 92127-3002

Phone: 858-451-9152

Provider Name:

Casa de las Campanas, INC.

Facility Operator: Life Care Services, LLC

Religious Affiliation: NONE

Year Opened: 1988 # of Acres: 22 Miles to Shopping Center: one (1) Miles to Hospital: four (4)

Single Story  Multi-Story  Other:

**Number of Units:**

Residential Living	Number of Units	Health Care	Number of Units
Apartments – Studio:	6	Assisted Living:	44 with 54 beds
Apartments – 1 Bdrm:	137	Skilled Nursing:	51 with 90 beds
Apartments – 2 Bdrm:	216	Special Care:	18 with 27 beds
Cottages/Houses:	-0-	Description:	Dementia

RLU Occupancy (%) at Year End: 89.5

Type of Ownership:  Not for Profit  
 For Profit

Accredited?  Yes By:  
 No

Form of Contact:  Continuing Care  Life Care  Entrance Fee  Fee for Service  
(Check all that apply)  Assignment of Assets  Equity  Membership  Rental

Refund Provisions:  Refundable  90%  50%  
(Check all that apply)  Repayable  75%  Other: Month-2% plan

Range of Entrance Fees: \$ 210,605 - \$ 1,341,990

Long-Term Care Insurance Required?  Yes  No

Health Care Benefits Included in Contract: YES, except for rental contracts.

Entry Requirements: Min Age: 60 Prior Profession: N/A Other: asset equivalent

**Resident Representative(s) to, and Resident Members on, the Board:**

(briefly describe provider's compliance and residents' roles):

Resident Committee Chairs attend Board Committee meetings in a non-voting capacity & one Resident is a voting and one non-voting Board Member.

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

Facility Services and Amenities

Common Area Amenities	Available	Fee for Service	Services Available	Included in Fee	For Extra Charge
Beauty/Barber Shop	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Housekeeping ( <u> 2 </u> Times/ Month at \$_____ each)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Billiard Room	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Bowling Green	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Meals ( <u> 3 </u> /Day)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Card Rooms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Special Diets Available	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Chapel	<input type="checkbox"/>	<input type="checkbox"/>			
Coffee Shop	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	24-Hour Emergency Response	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Craft Rooms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Activities Program	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Exercise Room	<input checked="" type="checkbox"/>	<input type="checkbox"/>	All Utilities Except Phone	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Golf Course Access	<input type="checkbox"/>	<input type="checkbox"/>	Apartment Maintenance	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Library	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cable TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Putting Green	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Linens Furnished	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Shuffleboard	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Linens Laundered	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Spa	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Medication Management	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Swimming Pool – Indoor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Nursing/Wellness Clinic	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Swimming Pool – Outdoor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Personal Home Care	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Tennis Court	<input type="checkbox"/>	<input type="checkbox"/>	Transportation – Personal	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Workshop	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Transportation – Prearranged	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other: <u>PC Room</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>Other: Wi-Fi in all areas</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			<u>Other: Bistro</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			<u>Other: Bocce Court</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			<u>Other: Card Rooms</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			<u>Other: Dance Studio</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			<u>Other: Dog Parks</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			<u>Other: Massage Room</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			<u>Other: Outdoor Dining/Meeting Area</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			<u>Other: Resident Lounges (Billiards)</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**Provider Name:** Casa de las Campanas, INC.

FYE 7-31-2022

Affiliated CCRCs	Location (city, state)	Phone (with area code)

Multi-Level Retirement Communities	Location (city, state)	Phone (with area code)

Free-Standing Skilled Nursing	Location (city, state)	Phone (with area code)

Subsidized Senior Housing	Location (city, state)	Phone (with area code)

**NOTE:** Please indicate if the facility is a life care facility.

Provider Name: Casa de las Campanas, INC.

FYE 7-31-2022

Income and Expenses [Year]	2019	2020	2021	2022
<b>Income from Ongoing Operations</b>				
<b>Operating Income</b> (Excluding amortization of entrance fee income)	\$33,659,732	\$33,168,571	\$33,803,901	\$37,905,359
<b>Less Operating Expenses</b> (Excluding depreciation, amortization, and interest)	\$28,773,859	\$29,339,674	\$28,516,574	\$31,353,481
<b>Net Income From Operations</b>	\$4,885,873	\$3,828,897	\$5,287,327	\$6,551,878
<b>Less Interest Expense</b>	\$3,358,227	\$3,306,537	\$1,693,081	\$1,366,104
<b>Plus Contributions</b>	\$344,377	\$1,314,750	\$397,987	\$181,997
<b>Plus Non-Operating Income (Expenses)</b> (Excluding extraordinary items)	<1,181,299>	\$788,935	\$16,719,086	<\$5,812,424>
<b>Net Income (Loss) Before Entrance Fees, Depreciation And Amortization</b>	\$690,924	\$2,626,045	\$20,711,316	<\$444,653>
<b>Net Cash Flow From Entrance Fees</b> (Total Deposits Less Refunds)	\$12,296,624	\$9,206,537	\$5,265,735	\$9,386,426

**Description of Secured Debt (as of most recent fiscal year end)**

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
City National Bank	\$73,003,431	2.225%	9/23/2020	10/2035	30 years

**Financial Ratios (see last page for ratio formulas)**

Financial Ratios [Year]	CCAC Medians 50th Percentile (optional)	2020	2021	2022
<b>Debt to Asset Ratio</b>	35.79	24%	27%	30%
<b>Operating Ratio</b>	102.07	101%	96%	90%
<b>Debt Service Coverage Ratio</b>	2.18	2.2	3.3	4.3
<b>Days Cash On Hand Ratio</b>	500	1,021	1,366	1,105

Provider Name: Casa de las Campanas, INC.

FYE 7-31-2022

**Historical Monthly Service Fees (Average Fee and Change Percentage)**

Residence/Service [Year]	2019	%	2020	%	2021	%	2022	%
Studio	\$2,651	4.4	\$2,715	4.4	\$2,810	3.5	\$2,928	4.2
One Bedroom	\$3,066	4.4	\$3,158	4.4	\$3,269	3.5	\$3,406	4.2
Cottage/House								
Assisted Living	\$3,888	4.44	\$4,005	4.4	\$4,145	3.5	\$4,318	4.2
Skilled Living	\$3,888	4.44	\$4,005	4.4	\$4,145	3.5	\$4,318	4.2
Special Care	\$3,888	4.44	\$4,005	4.4	\$4,145	3.5	\$4,318	4.2

**Comments from Provider:**

**Financial Ratio Formulas**

**Long-Term Debt to Total Assets Ratio**

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

**Operating Ratio**

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

**Debt Service Coverage Ratio**

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

**Days Cash On Hand Ratio**

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

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

**Casa de las Campanas  
Continuing Care Contract Annual Report  
Part 7**

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

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Complete **Form 7-1** to report the monthly care fee increase (MCFI) for **each** community operated by the Provider. If no adjustments were made during the reporting period for a community, indicate by checking the box below **Line [2]**. Providers must complete a separate Form 7-1 for each of their continuing care retirement communities.

1. On **Line 1**, enter the amount of monthly care fees for each level of care at the *beginning* of the reporting period.
2. On **Line 2**, indicate the percentage(s) of increase in fees implemented during the *reporting* period.
3. On **Line 3**, indicate the date the fee increase was implemented. If more than one (1) increase was implemented, indicate the date(s) for each increase.
4. Check *each* of the appropriate boxes.
5. Provide a detailed explanation for the increase in monthly care fees including the total dollar amount for the community overall and corresponding percentage increase for each level of care in compliance with the Health and Safety Code. The explanation shall set forth the reasons, by department cost centers, for any increase in monthly care fee. It must include if the change in monthly care fees is due to any actual or projected costs related to any other CCRC community or enterprise affiliated with the provider or parent company.

The methodology used to budget future costs should align with one or more of the following factors: "projected costs, prior year per capita costs and economic indicators." Describe the methodology used for single or multiple communities. If there are multiple MCFI percentages, i.e., by level of care, a separate explanation for each MCFI will be required.

Also, if there is a positive result of operations, the provider will need to explain how the funds will be used and/or distributed consistent with disclosures made in the applicable sections of the Continuing Care Contract.

**This attachment should include the data used in the Monthly Care Fee Increase meeting presentation provided to residents, which will also include actual results and an explanation of any variances.**

**NOTE:** Providers shall retain all documents related to the development of adjusted fees at their respective communities for a period of at least three years, i.e., budgets, statements of operations, cost reports, used near the end of the prior fiscal year to develop adjustments implemented in the current reporting period. These documents must be available for review upon request by the Department.

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

	RESIDENTIAL LIVING	ASSISTED LIVING	MEMORY CARE	SKILLED NURSING
1. Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2831-\$5,806</u>	<u>\$2831-\$5,806</u>	<u>\$2831-\$5,806</u>	<u>\$2831-\$5,806</u>
2. Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4.2%</u>	<u>4.2%</u>	<u>4.2%</u>	<u>4.2%</u>

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

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

4. Check each of the appropriate boxes:

- Each fee increase is based on the Provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.  
Date of Notice: June 29, 2021 Method of Notice: Inhouse mail or US mail
- At least 30 days prior to the increase in fees, the designated representative of the Provider convened a meeting that all residents were invited to attend. Date of Meeting: June 29, 2021
- At the meeting with residents, the Provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The Provider distributed the documents to all residents by [Optional - check all that apply]:
  - Emailed the documents to those residents for whom the provider had email addresses on file
  - Placed hard copies in resident cubby
  - Placed hard copies at designated locations
  - Provided hard copies to residents upon request, and/or
  - Other: [please describe] \_\_\_\_\_
- Date of Notice: June 29, 2021



- The Provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.  
**Date of Notice:** June 15, 2021
  
- The governing body of the Provider, or the designated representative of the Provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.  
**Date of Posting:** June 15, 2021      **Location of Posting:** Bulletin Boards & inhouse mailbox
  
- Providers evaluated the effectiveness of consultations during the annual budget planning process at a minimum of every two years by the continuing care retirement community administration. The evaluation, including any policies adopted relating to cooperation with residents was made available to the resident association or its governing body, or, if neither exists, to a committee of residents at least 14 days prior to the next semiannual meeting of residents and the Provider's governing body and posted a copy of that evaluation in a conspicuous location at each facility.  
**Date of Posting:** June 29, 2021      **Location of Posting:** Touchtown(intranet)& Resident bulletin boards

5. On an attached page, provide a detailed explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code.

PROVIDER: Casa de las Campanas, Inc.      COMMUNITY: Casa de las Campanas, Inc.

**ATTACHMENT TO FORM 7-1**  
**REPORT ON CCRC MONTHLY FEES**

**EXPLANATION FOR INCREASE IN MONTHLY SERVICE FEES**

The financial goals of Casa de las Campanas' annual budgeting process and resulting rate setting is to establish a financial plan that is sufficient to meet the unique needs & service levels of our Residents, and support our mission. Monthly Fees were increased in 2022 by 4.2% for all levels of care. The rate increase is derived from a process that considers the increased cost of providing services, and reasonable operating margins necessary to ensure the continuation of the organizational mission. Anticipated cost increases included higher labor costs, insurance costs, and normal inflationary cost increases related to purchases of supplies and services.

Labor costs were expected to increase in excess of 4%, especially with the year over year increase in the California minimum wage requirements in California increasing from \$14.00 per hour to \$15.00 per hour (7.14%), and the compression related impact from the minimum wage increase on wage tiers above minimum wage expected to increase 3%. Expenses related to employee benefits were expected to increase in excess of 5% due to increasing employee health benefit expense.

Supply and purchased service costs were estimated to increase commensurate with the consumer price index, which as of March 2021 reflected an increase of 4.1% for San Diego, California. Casa has also increased the monthly fees for the inclusion of cable tv, digital subscription of the wall street journal, and campus wide Wi-Fi.

In addition, the Casa Foundation, has release funding for both operating costs such as activities and hardships as well as capital related items. Casa's operating & capital budget has included these types of continued support in our budgeting process, that has also offset the rate increase calculation.

The projected 2022 NOI (net operating income) shown on the following page allows Casa to reinvest in the physical plant, thereby maintaining the quality of the facility for current Residents and ensuring the continued marketability of the community to prospective residents. Additionally, a positive NOI ensures that the community will be able to fund unexpected costs or capital needs, and continue its mission to enhance the quality of life.

**Form 7-1 Attachment**  
**Monthly Care Fee Increase**  
**Annual Reporting Fiscal Year 2022**

Line	Fiscal Years	Dollar Amounts in Thousands		
		2020	2021	2022
1	F/Y 2020 Operating Expenses (less interest expense, other non-operating expenses, depreciation & amortization)	\$ (29,175)		
2	F/Y 2021 Operating Expenses (less interest expense, other non-operating expenses, depreciation & amortization)		\$ (21,915)	
3	Projected F/Y 2022 Results of Operations (budgeted operating expenses)			\$ (31,545)
4	F/Y 2022 Anticipated MCF Revenue Based on Current & Projected Occupancy & Other without a MCFI			\$ 32,346
5	Projected F/Y 2022 (Net) Results without a MCFI (Line 3 plus Line 4)			\$ 801
6	Projected F/Y 2022 Anticipated Revenue Based on Current & Projected Occupancy & Other with MCFI 4.2%			\$ 33,257
7	Grand Total - Projected FY 2022 Net Operating Activity After 4.2% MCFI (Line 3 plus Line 6)			\$ 1,712
		<b>Monthly Care Fee Increase</b>		<b>4.20%</b>

**Adjustments Explained:**

Sixty percent of Casa's costs represent wages and benefits & it is expected that future rate increases are in line with the wage & benefit adjustment & cost of living increases. The 2022 employee merit increases are budgeted at 3% plus other adjustments primarily consisting of the \$1 minimum wage increases year over year, effective January 1st. Casa Residents pay the same monthly fee for all levels of care, as it is based on the Independent Living unit they transfer from. General Insurance increased by approximately 12.5%, depending on the line of coverage.

Overall, due to covid -19, we are forecasting fewer move-ins during F/Y 2022 with cost fluctuations related to precautionary pandemic measures.

**Casa de las Campanas**  
**Continuing Care Contract Annual Report**  
**Part 9**

---

Casa de las Campanas  
 Form 9-1 Supporting Schedule  
 Fiscal Year Ending 7/31/2022

	\$ 167,800,000		Net Equity (Casa de las Campanas appraised value 3-27-2020)
\$	-		
\$	<u>(73,102,480)</u>		Less Debt (Bonds & Leases)
\$	94,697,520		Net Equity (Real Estate & Buildings, net book value less any depreciation and encumbrances)
	x .50	<u>          </u>	
\$	47,348,760	Net Equity available	
\$	19,560,149		Refund Reserve Requirement per DSS Form 9-1
	x .70	<u>          </u>	
\$	13,692,104	Amount of the Refund Reserve Requirement that could be offset by Net Equity of Real Estate & Buildings	
Final Recap			
\$	11,005,804		Actual Refund Reserve Assets in Investments
\$	8,554,346		Adjusted Real Estate Equity
\$	<u><u>19,560,149</u></u>		Total Reserve Requirement

FORM 9-1

CALCULATION OF REFUND RESERVE AMOUNT

FYE 07/31/2022

[1] Resident Name	[2] Sex	[3] Entrance Fee	[4] Refund %	[5] Refund Amount (promised after 6 yrs)	[6] Age	[7] Life Exp.	[8] Present Value Multiplier	[9] Present Value of Refund
	F	\$347,470	100%	\$418,335	93	3.862	0.798	\$334,036
	F	\$279,323	100%	\$403,400	78	10.779	0.534	\$215,260
	F	\$279,323	100%	\$283,055	99	2.584	0.860	\$243,490
	F	\$410,112	100%	\$283,055	98	2.741	0.852	\$241,273
	F	\$267,883	100%	\$283,905	92	4.175	0.784	\$222,598
	F	\$418,335	100%	\$452,684	89	5.200	0.739	\$334,352
	M	\$403,400	100%	\$290,357	98	2.254	0.877	\$254,621
	F	\$283,055	100%	\$736,661	78	10.779	0.534	\$393,094
	F	\$283,055	100%	\$508,205	82	8.501	0.609	\$309,680
	F	\$283,905	100%	\$397,217	85	6.956	0.667	\$264,850
	M	\$290,357	100%	\$656,000	88	4.513	0.769	\$504,311
	M	\$736,661	100%	\$469,988	100	2.026	0.889	\$417,655
	F	\$504,503	100%	\$461,810	85	6.956	0.667	\$307,919
	F	\$508,205	100%	\$417,316	83	7.952	0.629	\$262,562
	F	\$397,217	100%	\$627,173	72	14.367	0.433	\$271,530
	M	\$241,303	100%	\$394,555	91	3.670	0.807	\$318,592
	F	\$656,000	100%	\$239,508	97	2.914	0.844	\$202,106
	F	\$469,988	100%	\$302,757	90	4.838	0.754	\$228,383
	F	\$461,810	100%	\$707,999	75	12.607	0.480	\$339,626
	F	\$417,316	100%	\$593,117	82	8.501	0.609	\$361,422
	F	\$627,173	100%	\$399,092	94	3.579	0.812	\$323,969
	F	\$394,555	100%	\$377,053	87	6.054	1.000	\$377,053
	F	\$239,508	100%	\$390,629	89	5.200	0.739	\$288,519
	M	\$302,757	100%	\$665,090	82	6.719	0.676	\$449,625
	M	\$593,117	100%	\$514,561	85	5.475	0.727	\$374,013
	F	\$399,092	100%	\$469,616	87	6.054	0.703	\$330,020
	F	\$377,053	100%	\$453,066	86	6.494	0.685	\$310,331
	F	\$390,629	100%	\$470,990	87	6.054	0.703	\$330,986
	F	\$665,090	100%	\$403,868	88	5.613	0.721	\$291,204

F	\$514,561	100%	\$873,690	87	6.054	0.703	\$613,982
F	\$469,616	100%	\$656,685	92	4.175	0.784	\$514,879
F	\$453,066	100%	\$381,904	93	3.862	0.798	\$304,946
M	\$470,990	100%	\$461,810	89	5.200	0.739	\$341,093
F	\$403,868	100%	\$442,503	90	4.838	0.754	\$333,800
F	\$873,690	100%	\$299,655	96	3.109	0.834	\$250,003
F	\$656,685	100%	\$339,523	91	4.501	0.769	\$261,196
F	\$381,904	100%	\$479,548	92	4.175	0.784	\$375,993
F	\$461,810	100%	\$539,428	88	5.613	0.721	\$388,948
F	\$442,503	100%	\$340,994	90	4.838	0.754	\$257,227
F	\$299,655	100%	\$369,075	89	5.200	0.739	\$272,599
F	\$339,523	100%	\$386,256	83	7.952	0.629	\$243,021
F	\$479,548	100%	\$264,668	94	3.579	0.812	\$214,848
M	\$539,428	100%	\$708,545	80	7.672	0.640	\$453,128
F	\$479,186	100%	\$714,278	85	6.956	0.667	\$476,255
F	\$340,994	100%	\$336,397	103	2.022	0.889	\$299,008
F	\$369,075	100%	\$523,719	91	4.501	0.769	\$402,899
F	\$386,256	100%	\$519,081	89	5.200	0.739	\$383,393
F	\$264,668	100%	\$375,584	91	4.501	0.769	\$288,939
F	\$714,278	100%	\$479,548	90	4.838	0.754	\$361,745
F	\$336,397	100%	\$397,217	88	5.613	0.721	\$286,409
F	\$523,719	100%	\$205,786	92	4.175	0.784	\$161,348
M	\$519,081	100%	\$396,242	94	2.903	0.844	\$334,578
M	\$375,584	100%	\$517,040	89	4.236	0.781	\$403,951
F	\$479,548	100%	\$397,217	87	6.054	0.703	\$279,143
F	\$397,217	100%	\$369,075	95	3.329	0.824	\$303,998
F	\$205,786	100%	\$461,810	87	6.054	0.703	\$324,535
F	\$396,242	100%	\$381,904	87	6.054	0.703	\$268,381
F	\$517,040	100%	\$580,050	92	4.175	0.784	\$454,793
F	\$397,217	100%	\$522,623	77	11.394	0.515	\$269,062
F	\$369,075	100%	\$390,629	98	2.741	0.852	\$332,967
							\$0
<b>TOTAL AMOUNT REQUIRED FOR REFUND RESERVE :</b>							<b>\$19,560,149</b>

**PROVIDER:** Casa de las Campanas, INC.  
**COMMUNITY:** Casa de las Campanas, INC.

FYE 07/31/2022

**Casa de las Campanas  
Continuing Care Contract Annual Report**

**Part 10**



**KEY INDICATORS REPORT**

Date Prepared: 12/21/2022

Provider Name: Casa de las Campanas, Inc. FYE 7-31-22

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



Chief Financial Officer Signature

	Projected		Forecast				Preferred Trend Indicator		
	2023	2022	2024	2025	2026	2027			
<b>OPERATIONAL STATISTICS</b>									
1. Average Annual Occupancy by Site (%)	89%	88%	86%	82%	87%	92%	92%	N/A	
<b>MARGIN (PROFITABILITY) INDICATORS</b>									
2. Net Operating Margin (%)	3.6%	-0.1%	1.4%	-13.5%	-3.2%	-2.9%	-2.7%	-2.5%	↑
3. Net Operating Margin - Adjusted (%)	37%	30%	17%	14%	24%	24%	23%	23%	↓
<b>LIQUIDITY INDICATORS</b>									
4. Unrestricted Cash and Investments (\$000)	\$93,648	\$89,989	\$90,273	\$107,100	\$89,416	\$94,446	\$99,476	\$104,506	↑
5. Days Cash on Hand (Unrestricted)	1,153	1,049	1,021	1,330	937	952	964	974	↑
<b>CAPITAL STRUCTURE INDICATORS</b>									
6. Deferred Revenue from Entrance Fees (\$000)	\$65,828	\$64,837	\$61,435	\$57,170	\$64,197	\$68,030	\$72,078	\$76,381	N/A
7. Net Annual E/F proceeds (\$000)	\$15,116	\$12,297	\$7,566	\$5,266	\$11,323	\$11,725	\$11,855	\$11,923	N/A
8. Unrestricted Net Assets (\$000)	\$55,589	\$61,735	\$69,093	\$93,661	\$69,948	\$79,948	\$84,948	\$89,948	N/A
9. Annual Capital Asset Expenditure (\$000)	\$17,583	\$17,527	\$11,643	\$12,171	\$32,500	\$21,000	\$22,000	\$23,000	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	1.35	1.10	1.00	1.90	1.2	1.4	1.5	1.6	↑
11. Annual Debt Service Coverage (x)	4.2	3.5	2.5	3.5	4.3	4.7	4.8	4.9	↑
12. Annual Debt Service/Revenue (%)	12%	11%	11%	7.5%	8%	7.3%	6.9%	6.7%	↓
13. Average Annual Effective Interest Rate (%)	5.7%	4.8%	5.1%	2.9%	2.4%	2.4%	2.4%	2.4%	↓
14. Unrestricted Cash & Investments/Long-Term Debt (%)	163%	158%	161%	146%	122%	144%	157%	170%	↑
15. Average Age of Facility (years)	13	12	12	12	12	12	13	13	↓

Key Indicators Report Attachment  
Casa de las Campanas, Inc.  
Fiscal Year End July 31, 2022

Significant Trends & Variance Comments:

Margin (Profitability) Indicators

The Net Operating Margin % was <3.4%> for fiscal year 2023 and benchmarks Casa's operational performance based on resident-based operations with projected expenses greater than revenues. However, Casa continues to perform very strongly for the Net-Operating Margin – Adjusted ratio which takes into account the CCRC Facility type A entrance fees and other non-operating revenues that includes investment returns, PPP loan forgiveness (only in FY 2022) and the Foundation contributions to Casa.

Liquidity Indicators

Overall this category is significantly increasing in 2021 with the investment portfolio gains realized thru FY 2021. In addition, the realized debt savings with the September 2020 bond refi with City National Bank at 2.225% interest rate. However, this indicator has decreased in 2022 with the negative investment returns to the previous levels. In FY 2023 projected, this indicator declines with the projected outflow for capital expenditures.

Capital Structure Indicators

The increase in the 2023 capital expenditures is due to several remodel projects to keep Casa very marketable. The decrease in the unrestricted Net Assets in 2022 is due to the write-off of the 72 bed Health Center (Skilled Nursing Facility) that was under construction to replace an existing structure.

The Average Annual Effective Interest Rate % in 2021 has significantly decreased with the recent 2020 bond refi as noted above.