

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

**STATE OF CALIFORNIA DEPARTMENT OF SOCIAL SERVICES**

**ANNUAL REPORT**

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

**FOR THE YEAR ENDED DECEMBER 31, 2022**

## ANNUAL REPORT CHECKLIST

**FISCAL YEAR ENDED:**  
**12/31/2022**

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

**CCRC(S):** SERENTO CASA

**CONTACT PERSON:** Chris Maingot

**TELEPHONE NO.:** \_\_\_\_\_ **EMAIL:** \_\_\_\_\_

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

- ☒ Annual Report Checklist.
- ☒ Annual Provider Fee in the amount of: \$ 3,263
- ☐ If applicable, late fee in the amount of: \$ \_\_\_\_\_
- ☒ Certification by the provider's **Chief Executive Officer (or Authorized Representative)** that:
  - ☒ The reports are correct to the best of his/her knowledge.
  - ☒ Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - ☒ The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- ☒ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- ☒ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☒ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- ☒ "Continuing Care Retirement Community Disclosure Statement" for **each** community.
- ☒ Form 7-1, "Report on CCRC Monthly Service Fees" for **each** community.
- ☐ Form 9-1, "Calculation of Refund Reserve Amount", *if applicable*.
- ☒ Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the Provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

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

**FORM 1-1**  
**RESIDENT POPULATION**

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	35
[2]	Number at end of fiscal year	12
[3]	Total Lines 1 and 2	47
[4]	Multiply Line 3 by ".50" and enter result on Line 5	x.50
[5]	Mean number of continuing care residents	23.5
<b>All Residents</b>		
[6]	Number at beginning fiscal year	73
[7]	Number at end of fiscal year	89
[8]	Total Lines 6 and 7	162
[9]	Multiply Line 8 by ".50" and enter result on Line 10	x.50
[10]	Mean number of <i>all</i> residents	81
[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).	29.01%

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

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service – interest only)	\$13,331,770
[a]	Depreciation	(1,041,965)
[b]	Debt Service (Interest Only)	(1,043,566)
[2]	Subtotal (add Line 1a and 1b)	\$2,085,531
[3]	Subtract Line 2 from Line 1 and enter result	\$11,246,239
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	29.01%
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	\$3,262,534
		x .001
[6]	<b>Total Amount Due</b> (multiply Line 5 by .001)	\$3,263

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



**FORM 1-1  
ATTACHMENT I**

**EXPLANATION REGARDING DECREASE IN CONTINUING CARE RESIDENTS**

Pursuant to the request of CDSS, CCRC agreements were not sold for several months in 2022 while the community was awaiting issuance of the extension of its provisional certificate of authority.

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



1505 S. Howard Avenue  
Tampa, FL 33606

phone 813.327.4338  
www.Longviewseniorhousing.com

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

This Certification Notice is submitted by BRE Knight SH CA Owner LLC and BRE-BKD Knight LLC on behalf of Serento Casa; to The State of California, Community Care Licensing Division, Continuing Care Contracts Branch, pursuant to the requirements of the Continuing Care Contract Annual Reserve Report, for the year ended December 31 2022. Our Certificate of Authority is #345.

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

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

Authorized Representative

DocuSigned by:

*Chris Mainiot*

43386F2508BE4E0...

Name:

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

August 1, 2023  
Date

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



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

9/20/2022

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).

PRODUCER CAC Specialty 250 Filmore, Suite 450 Denver, CO 80206  www.cacspecialty.com	CONTACT NAME: Lisa Woodson	FAX (A/C, No):	
	PHONE (A/C, No, Ext): 303-514-5008	E-MAIL ADDRESS: lisa.woodson@cacspecialty.com	
INSURED BRE Knight SH CA Owner, LLC 1505 S Howard Ave Tampa FL 33606	INSURER(S) AFFORDING COVERAGE		NAIC #
	INSURER A: Federal Insurance Company		20281
	INSURER B:		
	INSURER C:		
	INSURER D:		
	INSURER E:		
INSURER F:			

**COVERAGES**

CERTIFICATE NUMBER: 70303612

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 <input type="checkbox"/> OTHER:						EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$
	<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	<b>UMBRELLA LIAB</b> <input type="checkbox"/> OCCUR <b>EXCESS LIAB</b> <input type="checkbox"/> CLAIMS-MADE DED <input type="checkbox"/> RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y / N <input type="checkbox"/>	N / A				PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	Primary Crime			8262-3737	9/28/2022	9/28/2023	Limit \$500,000; Retention \$50,000

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

California Department of Social Services is an additional interest.

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

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

AUTHORIZED REPRESENTATIVE

Lisa Woodson

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ACORD 25 (2016/03)

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

## **SERENTO CASA EXECUTIVE SUMMARY**

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

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

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

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

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

## **ADDITIONAL INCLUDED STATEMENTS**

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

(BRE Knight SH CA Owner LLC consolidated as subsidiary)

Balance Sheet ending 12/31/2022

Income Statement year ending 12/31/2022



**BRE-BKD Knight, LLC and subsidiaries**  
**Balance Sheet**  
**December 31, 2022**  
**(Unaudited)**

	<b>BRE-BKD Knight, LLC</b>
	<b>For the Period ending December 31, 2022</b>
<b>ASSETS</b>	
Cash - Control	5,213,875
Cash	8,193,810
Petty Cash	24,024
<b>Cash and cash equivalents</b>	<b>13,431,709</b>
Deposits	597,905
Cash Security Deposits	4,838
Loan Escrow	4,218,951
Property Tax Escrow	832,687
Insurance Escrows	729,260
Capital Reserve Escrows	1,162,879
<b>Cash and escrow deposits - restricted</b>	<b>7,546,520</b>
Accounts Receivable	10,580,197
Reserve for Bad Debt-AR	(3,338,706)
<b>Accounts receivable - net of allowance for doubtful accounts</b>	<b>7,241,491</b>
Land	78,186,967
Building	583,392,567
Vacant Land	-
Land Improvements - Non Recurring	31,061
Building Improvements - Non Recurring	1,427,449
Routine Building Improvements	79,192,229
Routine Land Improvements	7,395,059
Leasehold Improvements	542,428
Routine FFE	50,595,888
Renovation FFE	(84,609)
UTO FFE	12,046,590
UTO Building Improvements	7,300,491
Accumulated Depreciation	(150,274,253)
Capitalized Acquisition Costs	-
CIP Building Improvements	29,065,871
<b>Property and equipment - net of accumulated depreciation</b>	<b>698,817,736</b>
Lease In Place	85,282,636
Accumulated Amortization	(85,282,636)
Leasehold Interest	-
<b>Intangible assets</b>	<b>(0)</b>
Supply Inventory	91,910
Prepaid Expenses	3,107,738
Insured Losses	1,160,332
Other Receivables	4,650,383
Deferred Move In Expense	-
Other Assets	6,866
<b>Prepaid Expenses and other assets</b>	<b>9,017,229</b>
Interest Rate Cap	2,106,602
<b>Investment in Properties Total</b>	<b>2,106,602</b>
Due From Related Party â (Acctng External)	5,172,536
<b>Due to Affiliates</b>	<b>5,172,536</b>
<b>TOTAL ASSETS</b>	<b>743,333,823</b>



**BRE-BKD Knight, LLC**  
**Balance Sheet**  
**December 31, 2022**  
*(Unaudited)*

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

For the Period ending  
December 31, 2022

**LIABILITIES AND MEMBERS' EQUITY**

**Liabilities:**

Security Deposits - System	315,710
<b>Customer Deposits</b>	<b>315,710</b>
Accounts Payable - Manual	10,578,372
Accounts Payable Supplier Invoices	(301,769)
Accrued Expenses	1,550,078
Accrued Interest Payable	25,441,433
Sales Tax Payable	2,990
Deferred Community Fees	0
Accrued Payroll	4,466,911
Accrued Vacation	1,035,086
Accrued RET	3,250,183
Income Tax Payable	76,072
Accrued Management Fees	13,698
<b>Accounts payable and accrued expenses</b>	<b>46,113,055</b>
Unearned Revenue	1,183,559
<b>Unearned Revenue</b>	<b>1,183,559</b>
Due To Related Entity - (Acctng External)	133,815
Due To Prior Owner	-
<b>Due to Affiliates</b>	<b>133,815</b>
Insurance Loss Reserve	4,970,915
Escheatment Liability	44,276
Other Liabilities	994,093
Distributions Payable	-
<b>Other Liabilities - net</b>	<b>6,009,284</b>
1st Mortgage Payable	550,055,077
Loan Costs	(4,792,605)
Accumulated Amortization Loan Costs	3,105,412
<b>Notes payable - net</b>	<b>548,367,884</b>
<b>TOTAL LIABILITIES</b>	<b>602,123,308</b>
<b><u>MEMBERS' EQUITY</u></b>	
Partners Capital GP Contribution	1,500,000
Partners Capital GP Distribution	(2,143,561.18)
Contributed Capital	617,850,000
Contributed Capital Distributions	(30,565,758)
Prior Year Retained Earnings	(330,344,778)
ALL:Income Statement	(115,085,387)
<b>Total Members' Equity</b>	<b>141,210,515</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>743,333,823</b>



**BRE-BKD Knight, LLC and subsidiaries**  
**TTM Income Statement**  
**December 31, 2022**  
*(Unaudited)*

**RESIDENT REVENUE:**

Independent Living	
Assisted Living	
Memory Care	
Affordable	
Skilled Nursing	
Miscellaneous	
<b>Total Resident Revenue</b>	

**OPERATING EXPENSES:**

Assisted Living	
Memory Care	
Skilled Nursing	
Dietary and Dining Services	
Marketing	
Housekeeping	
Maintenance and Engineering	
Transportation	
Activities	
Social Services	
Home Health	
Medical Records	
Other Misc. Labor	
Employee Development	
Administration	
<b>Total Operating Expense</b>	

**UNCONTROLLABLE EXPENSES:**

Insurance	
Real Estate and Other Taxes	
Equipment Rental/Lease	
Utilities	
<b>Total Uncontrollable Expense</b>	

**Total Expenses**

**Net Operating Income (LOSS)**

Total Management Fees

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

**BRE-BKD Knight LLC**

Trailing Twelve Months  
December 2022

40,901,920.90
113,491,589.84
45,281,495.43
-
27,365,693.49
1,456,657.03
<b>228,497,356.69</b>
32,771,408.97
13,136,507.14
20,412,229.38
31,832,682.11
14,690,312.86
5,480,607.91
11,997,740.71
480,862.06
6,040,003.06
233,886.96
124,278.99
278,644.98
11,262,716.43
-
43,221,942.20
<b>191,963,823.76</b>
7,150,535.70
8,730,197.24
-
10,133,861.89
<b>26,014,594.83</b>
<b>217,978,418.59</b>
<b>10,518,938.10</b>
11,759,388.94
<b>(1,240,450.84)</b>

**BRE-BKD Knight, LLC and subsidiaries**  
**TTM Income Statement**  
**December 31, 2022**  
**(Unaudited)**

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

	Trailing Twelve Months December 2022
Amortization	715,157.14
Bank Charges	10,650.29
Casualty Loss	203,813.95
Consulting Fees	164,778.00
Corporate Entity Maintenance	12,053.62
Debt Service Expense	22,806,877.68
Depreciation	38,075,444.82
Disaster Expense	1,346,096.51
Entry Fee Amortization	28,383.00
Extinguishment of Debt	51,664.68
Franchise / Filing Fees - Prior Yr	225.00
Franchise Taxes	100,478.42
Gain On Sale	(6,053,815.38)
Gain/Loss Property Damage	(3,079,644.59)
Ground Rent	279,999.96
Impairment	54,563,758.70
Income Taxes	52,105.21
Insurance Expense	2,171,449.29
Interest Expense - Other	(1,364.11)
Legal - Operational	642,381.87
Legal - Corporate Entity Maintenance	3,872.00
Charitable Contributions	1,875.00
Non-Operating Expense (CASH)	218,927.08
Software - Licenses & Maintenance	7,016.60
Professional Fees - Other	(9,220.05)
Professional Services	2,622,254.77
State Income Tax Prior Yr	225,010.56
Taxes	83.34
Transaction Expenses	23,902.09
Transition Costs/Fees	122,123.48
Unrealized Gain/Loss	(1,461,402.57)
Discontinued Operations	-
<b>Total Non-Operating Expenses</b>	<b>113,844,936.36</b>
<b>Net Income</b>	<b>(115,085,387.20)</b>

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

**BRE KNIGHT SH CA OWNER LLC**

**INDEPENDENT AUDITOR'S REPORT**

**AND**

**SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**



HANSEN HUNTER & CO. P.C.

*Certified Public Accountants*

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

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## INDEPENDENT AUDITOR'S REPORT

To Members and management of  
BRE Knight SH CA Owner LLC

### **Opinion**

We have audited the accompanying special purpose combined financial statements of BRE Knight SH CA Owner LLC, comprised of Serento Casa and Serento Rosa, which are continuing care retirement communities (the "Communities") that each have an RCFE as well as a skilled nursing facility ("SNF") on their respective campuses, and Blossom Vale Senior Living, a retirement community owned by BRE Knight SH CA Owner LLC (Collectively, the "Group"). BRE Knight SH CA Owner LLC is licensed to operate the RCFE on the campus of each of the Communities. GenSanDimas, LLC and GenYorbaLinda, LLC, tenants under operating leases with BRE Knight SH CA Owner LLC as landlord, are licensed to operate the skilled nursing facilities. The special purpose combined financial statements comprised of the special purpose combined balance sheets as of December 31, 2022 and 2021, and the related special purpose combined statements of operations, changes in Members' equity and cash flows for the years then ended, and the related notes to the special purpose combined financial statements.

In our opinion, the special purpose combined financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2022 and 2021, and the results of its operations and its 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Combined Financial Statements section of our report. We are required to be independent of the Group and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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

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

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the special purpose combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the special purpose combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, no such opinion is expressed.





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

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

### **Supplementary Information**

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

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

*Hansen Hunter + Co. P.C.*

August 1, 2023

**BRE KNIGHT SH CA OWNER LLC**

**SPECIAL PURPOSE COMBINED BALANCE SHEETS**

**ASSETS**

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 742,293	\$ 395,490
Accounts receivable, net SNF	1,845,372	1,559,217
Accounts receivable, net RCFE	222,688	16,301
Due from related parties	29,333,119	29,331,067
Prepaid expenses	424,458	316,446
Inventories	29,394	22,790
Interest rate cap	218,801	7,660
	<hr/>	<hr/>
Total current assets	32,816,125	31,648,971
	<hr/>	<hr/>
<b>Replacement reserves</b>	76,873	210,828
	<hr/>	<hr/>
<b>Fixed assets</b>		
Land and improvements	10,390,799	10,287,910
Buildings and improvements	64,096,107	62,472,997
Furniture and equipment	5,095,811	4,930,384
Finance lease right-of-use assets	170,476	170,476
	<hr/>	<hr/>
	79,753,193	77,861,767
Less: accumulated depreciation	(14,587,059)	(11,417,708)
	<hr/>	<hr/>
	65,166,134	66,444,059
Construction in progress	2,572,749	280,608
	<hr/>	<hr/>
Net fixed assets	67,738,883	66,724,667
	<hr/>	<hr/>
<b>Total assets</b>	\$ 100,631,881	\$ 98,584,466
	<hr/>	<hr/>

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

**BRE KNIGHT SH CA OWNER LLC**

**SPECIAL PURPOSE COMBINED BALANCE SHEETS**  
(Continued)

**LIABILITIES AND MEMBERS' EQUITY**

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Current liabilities</b>		
Accounts payable	\$ 1,550,096	\$ 1,751,052
Accrued personnel expenses	871,448	848,179
Contract liability - advanced rent	140,718	57,274
Accrued expenses	158,749	52,990
Resident refunds payable	177,384	108,865
Accrued interest	2,586,353	1,659,431
Finance lease obligations, current portion	35,104	29,384
Total current liabilities	<u>5,519,852</u>	<u>4,507,175</u>
<b>Long term liabilities</b>		
Finance lease obligations, net of current portion	62,378	100,215
Mortgage payable, net	<u>56,941,975</u>	<u>56,939,763</u>
Total long term liabilities	<u>57,004,353</u>	<u>57,039,978</u>
<b>Total liabilities</b>	<u>62,524,205</u>	<u>61,547,153</u>
<b>Members' equity</b>		
Members' equity	<u>38,107,676</u>	<u>37,037,313</u>
<b>Total liabilities and Members' equity</b>	<u>\$ 100,631,881</u>	<u>\$ 98,584,466</u>

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

**BRE KNIGHT SH CA OWNER LLC**

**SPECIAL PURPOSE COMBINED STATEMENTS OF OPERATIONS**

	<b>Years Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Revenues and other income</b>		
Independent living	\$ 439,291	\$ 131,923
Assisted living	8,217,455	7,968,820
Skilling nursing	6,839,126	6,381,420
Memory care	3,099,950	2,555,650
Rehabilitation	1,358,190	1,245,186
Laboratory	202,926	252,370
Other income	46,038	93,453
Interest	1,732	156
Non-operating	(2)	200
Total revenues and other income	<u>20,204,706</u>	<u>18,629,178</u>
<b>Expenses</b>		
Assisted living	2,991,912	3,843,312
Skilled nursing	5,715,927	6,368,345
Memory care	954,033	1,104,547
Rehabilitation	1,213,687	1,066,490
Vitality	425,270	355,969
Laboratory	204,006	259,613
Activities	129,731	106,533
Marketing	1,120,794	604,783
Administration	5,545,936	1,987,448
Dietary	2,784,255	2,521,882
Maintenance	969,494	792,944
Equipment rental	91,295	89,462
Housekeeping and laundry	702,380	672,087
Utilities	1,147,035	1,003,429
Equipment lease	13,890	22,687
Taxes and insurance	1,784,974	1,909,768
Interest	2,398,889	1,447,276
Depreciation	3,169,349	2,781,035
Amortization	44,528	55,607
Disaster	202,089	238,448
Transition	-	15,164
Bad debt	346,656	1,029,707
Gain (loss) on interest rate cap	(151,787)	(6,391)
Total expenses	<u>31,804,343</u>	<u>28,270,145</u>
<b>Net income (loss)</b>	<u>\$ (11,599,637)</u>	<u>\$ (9,640,967)</u>

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

**BRE KNIGHT SH CA OWNER LLC**

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

Balance, January 1, 2021	\$ 38,562,079
Net income (loss)	(9,640,967)
Distributions	(19,028)
Contributions	<u>8,135,229</u>
Balance, December 31, 2021	37,037,313
Net income (loss)	(11,599,637)
Contributions	<u>12,670,000</u>
Balance, December 31, 2022	\$ <u><u>38,107,676</u></u>

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

**BRE KNIGHT SH CA OWNER LLC**

**SPECIAL PURPOSE COMBINED STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Cash received from residents	\$ 19,469,703	\$ 18,319,625
Other receipts	47,768	93,809
Interest expense paid	(1,531,322)	(701,657)
Cash paid to suppliers and employees	<u>(26,616,640)</u>	<u>(23,009,613)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(8,630,491)</u>	<u>(5,297,836)</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	<u>(3,794,543)</u>	<u>(1,873,682)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(3,794,543)</u>	<u>(1,873,682)</u>
<b>Cash flows from financing activities</b>		
Principal payments on capital lease	(32,117)	(27,685)
Contributions	12,670,000	8,135,229
Distributions	<u>-</u>	<u>(19,028)</u>
<b>Net cash provided by (used in) financing activities</b>	<u>12,637,883</u>	<u>8,088,516</u>
<b>Net change in cash, cash equivalents and restricted cash</b>	212,849	916,998
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	<u>606,317</u>	<u>(310,680)</u>
<b>Cash, cash equivalents and restricted cash, end of year</b>	<u>\$ 819,166</u>	<u>\$ 606,318</u>

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

**BRE KNIGHT SH CA OWNER LLC**

**SPECIAL PURPOSE COMBINED STATEMENTS OF CASH FLOWS**  
(Continued)

	<b>Years Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Reconciliations of net income (loss) to net cash provided by (used in) operating activities</b>		
Net income (loss)	\$ (11,599,637)	\$ (9,640,967)
<b>Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:</b>		
Depreciation	3,169,349	2,781,035
Amortization	44,528	55,607
Bad debt	346,656	1,029,707
Reallocation of mortgage payable with related parties	(42,316)	4,490,536
(Gain) loss on interest rate cap	(151,787)	(6,391)
<b>Decrease (increase) in:</b>		
Accounts receivable, net SNF	(632,811)	(28,473)
Accounts receivable, net RCFE	(206,387)	(16,301)
Due from related parties	(391,073)	(4,869,446)
Prepaid expenses	(108,012)	(185,256)
Inventories	(6,604)	65,477
<b>Increase (decrease) in:</b>		
Accounts payable	(200,956)	701,215
Accrued personnel expenses	23,269	65,100
Contract liability - advanced rent	83,444	(21,271)
Accrued expenses	105,759	(341,518)
Lease payable	1	175,393
Resident refunds payable	68,519	(149,699)
Accrued interest	867,567	597,416
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (8,630,491)</b>	<b>\$ (5,297,836)</b>

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

**BRE KNIGHT SH CA OWNER LLC****SPECIAL PURPOSE COMBINED STATEMENTS OF CASH FLOWS**  
(Continued)

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

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 742,293	\$ 395,490
Replacement reserves	<u>76,873</u>	<u>210,828</u>
Total cash, cash equivalents and restricted cash	<u>\$ 819,166</u>	<u>\$ 606,318</u>

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

	<b>Years Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Supplemental disclosures for noncash financing activities</b>		
Reallocation of mortgage payable with related parties	\$ <u>(42,316)</u>	\$ <u>4,490,536</u>
Fixed asset purchases in due from related parties	<u>\$ 389,022</u>	<u>\$ -</u>

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



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

### **NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS December 31, 2022 and 2021**

#### **NOTE 1 – Nature of Business**

BRE Knight SH CA Owner LLC owns the real property comprising three senior living communities in California (collectively, “the Group”). For the years ended December 31, 2022 and 2021, the communities consist of the following:

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

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

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

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

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

##### ***Basis of presentation***

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

**BRE KNIGHT SH CA OWNER LLC**

**NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**  
(Continued)

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

***Cash and cash equivalents***

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

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

Accounts receivable consists primarily of private and third-party payer resident receivables. An allowance for doubtful accounts has been established based upon an analysis of the collectability of accounts receivable.

Accounts receivable consisted of the following as of:

	December 31,		
	2022	2021	2020
Accounts receivable	\$ 2,861,031	\$ 2,315,771	\$ 3,062,454
Allowance for doubtful accounts	<u>(792,971)</u>	<u>(740,253)</u>	<u>(502,003)</u>
Accounts receivable, net	<u>\$ 2,068,060</u>	<u>\$ 1,575,518</u>	<u>\$ 2,560,451</u>

For the years ended December 31, 2022 and 2021, bad debt expense totaled \$346,656 and \$1,029,707, respectively. One private resident accounted for approximately 32% of the bad debt expense for the year ended December 31, 2021, as a result of issues with collection efforts under former management. Accounts receivable over 90-days old at December 31, 2022 and 2021 was \$1,105,825 and \$883,514, respectively.

***Replacement reserves***

The Group is required to maintain a replacement reserve account with KeyBank, N.A. The monthly deposits, as determined by KeyBank, N.A., are made into this reserve account. The funds are being used for future building improvements and repairs after obtaining approval from KeyBank, N.A. As of December 31, 2022, and 2021, the monthly required deposits into these escrows were \$13,125. The balance of the replacement reserve account was \$76,873 and \$210,828 at December 31, 2022 and 2021, respectively.

***Inventories***

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

***Derivative financial instruments***

The Group makes limited use of derivative instruments for the purpose of managing interest rate risks. Changes in the fair value of these instruments are recognized as gain or loss on interest rate cap in the special purpose combined statements of operations. See details included in Note 4.

**BRE KNIGHT SH CA OWNER LLC**

**NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

(Continued)

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

***Property and equipment***

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

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

Total depreciation expense for the years ended December 31, 2022 and 2021 was \$3,169,349 and \$2,781,035, respectively.

Management reviews long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of the asset to the future cash flows expected to be generated by the asset. Management deems long lived assets to be impaired if the estimated future undiscounted cash flows are less than the carrying amount of the assets. Management has evaluated its long-lived assets and has not identified any impairment as of December 31, 2022 and 2021.

***Contract liability***

Contract liability represents cash received in advance for monthly service charges. These amounts are recorded as advanced rent when collected and recognized as revenue when performance obligations are met. There was advanced rent in the amount of \$140,718 and \$57,274 as of December 31, 2022 and 2021, respectively.

***Debt issuance costs***

Debt issuance costs of \$445,282 are being amortized over the term of the related loan. Accumulated amortization of these costs was \$256,037 and \$211,509 at December 31, 2022 and 2021, respectively. These amounts are included as a reduction of the mortgage payable balance. Amortization of debt issuance costs was \$44,528 and \$55,607 for the years ended December 31, 2022 and 2021, respectively, included in amortization in the accompanying combined statements of operations.

***Continuing care contracts***

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

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

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

**December 31, 2022 and 2021**

(Continued)

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

##### ***Leases***

The Group evaluates at contract inception whether a lease exists and recognizes a lease obligation and right-of-use (ROU) asset for all leases with a term greater than 12 months. Leases are classified as either finance or operating. All lease obligations are measured as the present value of the future lease payments using a discount rate, which is generally the Group's incremental borrowing rate for collateralized borrowings. The future lease payments used to measure the lease obligations include both fixed and variable payments that depend on a rate or index, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain of being exercised. Future lease payments for optional renewal periods that are not reasonably certain of being exercised are excluded from the measurement of the lease obligation. Regarding variable payments that depend on a rate or index, the lease liability is measured using the applicable rate or index as of lease commencement and is only re-measured under certain circumstances, such as a change in the lease term. Lease incentives serve to reduce the amount of future lease payments included in the measurement of the lease obligation. For all leases, the ROU asset is initially derived from the measurement of the lease liability and adjusted for certain items, such as initial direct costs and lease incentives received. ROU assets are subject to impairment testing.

Amortization of finance lease ROU assets, which is generally recognized on a straight-line basis over the lesser of the lease term and the estimated useful life of the asset, is included within depreciation expense in the special purpose combined statements of operations. Interest expense associated with finance lease obligations is included within interest expense in the special purpose combined statements of operations. The lease term is determined based on the date the Group acquires control of the leased premises through the end of the lease term. Optional renewals periods are not initially included in the lease term unless they are deemed to be reasonably certain of being exercised at lease commencement.

##### ***Resident revenue***

The Group's principal activities consist of operating assisted living and memory care facilities for the elderly. Serento Rosa and Serento Casa, by contract, also offer access to continuing care. GenSanDimas, LLC and GenYorbaLinda, LLC additionally offer access to skilled nursing services. Revenue is derived primarily from private pay, private and commercial insurance, and Medicare residents (at the SNF). The Group recognizes revenues as its performance obligations are completed. Amounts collected in advance are recognized as a contract liability until performance obligations are satisfied. Routine resident services are treated as a single performance obligation satisfied over time as services are rendered. These routine services represent a bundle of services that are not capable of being distinct. The performance obligations are satisfied over time as the resident simultaneously receives and consumes the benefits of the skilled nursing facility, assisted living services, and memory care services provided.

**BRE KNIGHT SH CA OWNER LLC**

**NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

(Continued)

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

***Resident revenue (continued)***

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

Net revenues are adjusted when changes in estimates of variable considerations occur. Changes in estimates typically arise as a result of new information obtained, such as actual payment receipt or denial, or retroactive pricing adjustments by payors for services. Subsequent changes to estimates of transaction prices are recorded as adjustments to net revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in payors ability to pay are recorded as an allowance for doubtful accounts. The Group will write off accounts receivable once all collection efforts are exhausted and accounts are deemed uncollectible. In accordance with the adoption of ASC 606, an allowance for doubtful accounts is established only as a result of an adverse change in the customer or payor's ability to pay outstanding billings.

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

***Net patient service revenue***

The Group has agreements with third-party payors that provide for payments to the Group at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. For the years ended December 31, 2022 and 2021, net resident revenues from Medicare were \$2,590,484 and \$2,644,136, respectively. Upon audit by Medicare, there is a possibility of adjustment to costs reimbursed.

**BRE KNIGHT SH CA OWNER LLC**

**NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

(Continued)

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

***Obligation to provide future services***

Annually, the Group calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of contract liability from entrance fees. Contract liability from entrance fees as of December 31, 2022 and 2021 was \$0. If the present value of the net cost of future services and use of facilities exceeds the contract liability from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to expense. For the year ended December 31, 2022 and 2021, the calculation resulted in no future service liability. The discount rate used was 5%.

***Income taxes***

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

The Group follows the provisions of the Income Tax Topic of the FASB Accounting Standards Codification relating to unrecognized tax benefits. This standard requires an entity to recognize a liability for tax positions when there is a 50% or greater likelihood that the position will not be sustained upon examination. As such, there were no liabilities recorded for uncertain tax positions as of December 31, 2022 and 2021.

***Advertising costs***

Advertising and marketing costs are charged to expense as incurred. Advertising expenses for the years ended December 31, 2022 and 2021 were \$313,922 and \$178,425, respectively.

***Financial instruments***

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

***Reclassification***

Certain amounts in the prior year special purpose combined financial statements have been reclassified to conform to the current year presentation.

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

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

**December 31, 2022 and 2021**

(Continued)

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

##### ***Variable interest entities***

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

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

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

##### ***Adoption of Accounting Standard Change***

In February 2016, FASB issued Accounting Standard Update (ASU) 2016-02, Leases (Topic 842). The new guidance amends the former accounting principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The most significant change is the new standards require an entity to report a right-of-use asset and a liability for the obligation to make payments for all leases, with exception of those leases with a term of 12 months or less. ASU 2016-02 requires enhanced disclosure to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 was subsequently amended by other ASUs to clarify and improve the standard as well as to provide certain practical expedients.

**BRE KNIGHT SH CA OWNER LLC**

**NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

(Continued)

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

***Adoption of Accounting Standard Change (continued)***

Effective January 1, 2022, the Group adopted ASU 2016-02. The ASU has been applied retrospectively as of the beginning of the reporting period in which the Group first applies the leases standard. The adoption of this new standard did not result in a material impact on the Group's special purpose combined financial statements. The accounting for the finance leases remained substantially unchanged. The Group elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Group to carry forward the historical lease classification. In addition, the Group elected the practical expedient to use hindsight in determining the lease term for existing leases, which resulted in shortening the lease terms for certain existing leases and the useful lives of corresponding leasehold improvements as certain options to renew were not reasonably certain. There was no significant effect on the special purpose combined financial statements related to the adoption of this new standard which would require a cumulative effect adjustment to Members' equity at the date of adoption.

**NOTE 3 – Estimates**

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



# BRE KNIGHT SH CA OWNER LLC

## NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS December 31, 2022 and 2021 (Continued)

### NOTE 4 – Mortgage Payable

A summary of mortgage payable by BRE Knight SH CA Owner LLC (as allocated) as of December 31, 2022 and 2021 is as follows:

		December 31, 2022		December 31, 2021		December 31, 2022	December 31, 2021
Maturity	Interest Rate Floor	1-Month LIBOR (a)	Interest Rate	1-Month LIBOR (a)	Interest Rate	Balance	Balance
Mortgage Payable:							
Senior Note – Serento Casa	27-Apr	2.37%	4.14%	0.10%	2.47%	\$24,750,948	\$24,769,280
Senior Note – Serento Rosa	27-Apr	2.37%	4.14%	0.10%	2.47%	23,686,391	23,703,935
Senior Note – Blossom Vale	27-Apr	2.37%	4.14%	0.10%	2.47%	8,693,881	8,700,321
Total mortgage payable (b)						\$57,131,220	\$57,173,536
Deferred issuance costs – net of accumulated amortization of \$256,037 and \$211,509, respectively						(189,245)	(233,773)
Mortgage payable - net						\$56,941,975	\$56,939,763

(a) At December 31, 2022 and 2021, the 1-month LIBOR rate was 4.142% and .10125% respectively.

(b) The mortgage payable of \$57,131,220 is collateralized by the three communities within the Group. At December 31, 2022, the mortgage payable for the Group represents the allocated amount of a master credit facility in the amount of \$550,055,076 collateralized by 41 communities, which is reallocated from time to time at lender election. On January 29, 2021, the lender reallocated the mortgage payable allocated to the Group within the master credit facility with related parties, increasing the indebtedness of the Group by \$4,490,536. During 2022, two unrelated communities were sold, and excess funds were allocated pro rata to the remaining communities, resulting in an additional decrease in indebtedness of the Group of \$42,316.

(c) Payments on the mortgage payable are due in monthly installments of interest only. On May 29, 2020, forbearance on the note was granted, extended on a monthly basis until January 31, 2021. On January 29, 2021, the agreement was modified to allow interest to be paid at a reduced rate of current one month LIBOR plus 85 basis points from February 2, 2021 until January 2023. Deferred interest shall be paid back in 24 equal installments during a catch up period from February 1, 2023 until January 31, 2025. Deferred and current interest owed by the Group at December 31, 2022 and, 2021 are \$2,586,352 and \$1,659,432, respectively.

(d) BRE-BKD Knight LLC made all required payments, collecting amounts due from the Group to the extent cash was available. Uncollected payments are recorded in due from related parties on the special purpose combined balance sheet at December 31, 2022 and 2021 are \$0 and \$704,970 respectively.

**BRE KNIGHT SH CA OWNER LLC**

**NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

(Continued)

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

Principal balances will commence at the end of the catch up period on February 1, 2025. During the catch up period, prepayments of principal are anticipated if any of the 41 communities are sold, so it is anticipated that the principal payments will be reset based on the unpaid principal balance on February 1, 2023.

The annual aggregate principal payments of mortgage payable obligations outstanding as of December 31, 2022 are as follows:

2023	\$ -
2024	-
2025	1,005,631
2026	1,097,052
2027	<u>55,028,537</u>
	\$ <u>57,131,220</u>

The terms of the mortgage payable required entry into an interest rate cap agreement, purchased on March 9, 2020, to manage interest rate risk associated with variable interest rates. Interest rate cap agreement caps the LIBOR rate at 3.36% per annum, expiring on April 1, 2023. The allocated value of the interest rate cap for the Group at December 31, 2022 and 2021, was \$218,801 and \$7,660, respectively.

Under the terms of the note the Group was required to escrow funds for immediate repairs, capital replacements, insurance proceeds, and future purchases of an interest rate cap. The balance of these escrow accounts as of December 31, 2022 and 2021, was \$76,872, and \$210,828, respectively.

As of December 31, 2022, the Group is in compliance with the financial covenants of the outstanding mortgage payable.

**BRE KNIGHT SH CA OWNER LLC**

**NOTES TO SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

(Continued)

**NOTE 5 – Finance Lease Obligations**

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

The following summarizes the line item in the balance sheet which include amount for the finance leases as of December 31:

	<u>2022</u>	<u>2021</u>
Finance lease right-of-use asset	\$ 170,476	\$ 170,476
Accumulated amortization of right-of-use asset	<u>(127,857)</u>	<u>(71,032)</u>
Finance right of use asset, net	\$ <u>42,619</u>	\$ <u>99,444</u>

The future minimum base lease payments under the finance leases are as follows for the years ended December 31:

2023	\$ 42,393
2024	42,393
2025	<u>24,729</u>
Total required lease payments	109,515
Less: interest	<u>(12,033)</u>
Present value of required lease payments	97,482
Less: current portion of finance lease obligations	<u>(35,104)</u>
Finance lease obligations, net of current	\$ <u>62,378</u>

The following summarizes the line items in the special purpose combined statements of operations which include the components of finance lease costs for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Amortization of lease assets included in depreciation expense	\$ 56,825	\$ 56,825
Interest on lease obligations included in interest expense	<u>12,032</u>	<u>22,309</u>
Total finance lease costs	\$ <u>68,857</u>	\$ <u>79,134</u>

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

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

**December 31, 2022 and 2021**

(Continued)

#### **NOTE 6 – Leases Commitments**

GenSanDimas, LLC and GenYorbaLinda, LLC lease the portion of the campuses used to provide skilled nursing services from BRE Knight SH CA Owner LLC. The leases are operating lease, with terms of 3 years expiring on August 31, 2023, with automatic one-year period extensions unless terminated by either party. The monthly rent is all net income/loss generated from the operations of the skilled nursing facilities for the prior calendar month.

For the year ended December 31, 2022, lease revenue related to operating leases were \$1,865,286 and \$1,329,918 for Serento Casa and Serento Rosa, respectively. For the year ended December 31, 2022, lease expense related to the operating leases was \$3,195,204 for BRE Knight SH CA Owner LLC.

For the year ended December 31, 2021, lease revenue related to the operating leases were \$2,313,841 and \$885,743 for Serento Casa and Serento Rosa, respectively. For the year ended December 31, 2021, lease expense related to the operating leases was \$3,199,584 for BRE Knight SH CA Owner LLC.

Lease revenue and lease expense related to this operating lease have been eliminated in combination.

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

In response to COVID-19 pandemic, during the year ended December 31, 2022 and 2021, the Group received \$0, and \$40,477 respectively in Provider Relief Funds from the U.S. Department of Health and Human Services (the “HHS”) via the CARES Act. The Group is to document lost revenue or increased expenses attributable to the pandemic. Repayment is not required unless the Group is not in compliance with the terms and conditions of the funds. The Group recognizes relief funds as other income once there is reasonable assurance that the applicable terms and conditions required to retain the funds have been met. For the year ended December 31, 2021, the Group recognized the full \$40,447 of relief funds and is included in other income in the accompanying special purpose combined statements of operations.

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

GenSanDimas, LLC and GenYorbaLinda, LLC are managed under a management agreement with Generations-CA, LLC, a related party through common ownership, whereby Generations-CA, LLC, provides general management and administrative services. The fee for these services is 4% of the skilled nursing gross revenue and 5% of assisted living and memory care gross revenue.

Management fees were incurred for GenSanDimas, LLC in the amount of \$385,168 and \$339,407 for the years ended December 31, 2022 and 2021, respectively, and are included in the accompanying special purpose combined statements of operations. Accrued management fees at December 31, 2022 and 2021 were \$41,168, included in the due from related parties on the accompanying special purpose combined balance sheets.

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

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

**December 31, 2022 and 2021**

(Continued)

#### **NOTE 8 – Management Agreement (continued)**

Management fees were incurred for GenYorbaLinda, LLC in the amount of \$434,695 and \$429,695 for the years ended December 31, 2022 and 2021, respectively, and are included in the accompanying special purpose combined statements of operations. Accrued management fees at December 31, 2022 and 2021 were \$36,924, included in the due from related parties on the accompanying special purpose combined balance sheets.

Blossom Vale Senior Living is managed under a management agreement with CSL – Orangevale, LLC, an unrelated party, whereby CSL – Orangevale, LLC provides general management and administrative services. The fee for these services is 5% of gross revenue. For the years ended December 31, 2022 and 2021, \$185,205 and \$160,034, respectively, in management fees were incurred, and are included in the accompanying special purpose combined statements of operations.

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

During the years ended December 31, 2022 and 2021, there were certain routine expenses incurred on behalf of Serento Casa by Generations, a related party through common ownership. At December 31, 2022 and 2021, the amount due to Generations-CA, LLC from Serento Casa were \$37,718 and \$12,975, respectively, included in the due from related parties, on the accompanying special purpose combined balance sheets.

During the years ended December 31, 2022 and 2021, there were certain routine expenses incurred on behalf of Serento Rosa by Generations, a related party through common ownership. At December 31, 2022 and 2021, the amount due to Generations-CA, LLC from Serento Rosa were \$28,566 and \$10,561, respectively, included in the due from related parties, on the accompanying special purpose combined balance sheets.

At December 31, 2022 and 2021, the net amount due from related parties in the amount of \$29,477,495 and \$29,423,064, respectively, represents the net amounts due for initial contributions at acquisition from the parent, prior and current year mortgage payable reallocations, and amounts due for expenses incurred by related parties on behalf of the Group. During the years ended December 31, 2022 and 2021, there was a reallocation of the mortgage payable with related entities under common ownership in the amount of \$(42,316) and \$4,490,536, respectively.

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

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

**December 31, 2022 and 2021**

(Continued)

#### **NOTE 10 – Retirement Plan**

The Group maintains qualified 401(k) salary deferred plans (the Plans). The plans allow eligible employees to contribute a portion of their salary, not to exceed statutory limits. The Serento Casa and Serento Rosa plans provide for discretionary employer matching contributions of 4% of employee deferral contributions up to 100% of the employee's compensation. For the years ended December 31, 2022 and 2021, employer matching contributions for Serento Casa were \$69,490 and \$59,915, respectively. For the years ended December 31, 2022 and 2021, employer matching contributions for Serento Rosa were \$72,227 and \$66,911, respectively. The Blossom Vale Senior Living plan provides for discretionary employer matching contributions of 50% of employee deferral contributions up to 6% of the employee's compensation. For the years ended December 31, 2022 and 2021, the employer matching contributions were \$15,004 and \$16,355, respectively.

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

The Group is currently named in several class action lawsuits and named as a party in several additional lawsuits, all in the early stages of litigation. All claims have been referred to the Group's insurance carrier and legal counsel. While there can be no assurance, based on the Group's evaluation of information currently available, management does not believe the results of such litigations would have material adverse effects on the results of operations, financial position or cash flows. However, the Group's assessment may evolve based upon further developments in the proceedings. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible.

The Group is subject to various claims for damages that arise in the normal course of business. Any claims would be referred to the Group's insurance carrier. In management's opinion, potential losses arising from a claim would generally be covered by the Group's insurance company, and therefore, would not have a material impact on the Group's financial position or results of operations.

The healthcare industry in which the Group operates is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations relate to, among other things, matters such as licensure, accreditation, and government health care program participation requirements, regulations regarding reimbursement for patient services billing, fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as significant repayments for patient services previously billed. Management is not aware of any actions or potential actions at December 31, 2022 and 2021.

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

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

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

**December 31, 2022 and 2021**

(Continued)

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

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

BRE Knight SH CA Owner LLC and BRE-BKD Knight LLC hold a provisional certificate of authority issued by the State of California authorizing them to issue continuing care contracts. California Health and Welfare Code section 1792 requires that a Continuing Care Retirement Community (CCRC) establish "liquid reserves" (undesignated cash and marketable securities) equal to the total of all principal and interest payments on long-term obligations paid during the fiscal year plus 75 days of its projected operating expenses. Based on the Group's debt payments for the years ended December 31, 2022 and 2021, calculated on an annualized basis, and its projected operating expenses for the following fiscal year, the Group was required to have \$3,624,043 and \$3,615,256 in liquid reserves as of December 31, 2022 and 2021, respectively. In our opinion, the liquid reserve calculation set forth in the immediately preceding sentence was determined consistently with the requirements of California Health and Welfare Code Section 1792. The required liquid reserves, maintained pursuant to Health and Safety Code section 1792, are held by BRE-BKD Knight LLC, a party that is on the provisional certificate of authority, solely to provide further financial support for the continuing care commitments of the CCRC.

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

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

#### **NOTE 13 – Subsequent Events**

During March 2023, three unrelated communities were sold, and excess funds were allocated pro rata to the remaining communities, resulting in an additional decrease in indebtedness of the Group of \$215,822.

Forbearance on the mortgage note payable continues to be extended on a monthly basis through August 1, 2023, which is the date the special purpose combined financial statements were issued.

The Group did not have any other subsequent events through August 1, 2023, which is the date the special purpose combined financial statements were issued, requiring recording or disclosure in the special purpose combined financial statements for the year ended December 31, 2022.

## **SUPPLEMENTARY INFORMATION**



# BRE KNIGHT SH CA OWNER LLC

## SPECIAL PURPOSE COMBINING BALANCE SHEET December 31, 2022

### ASSETS

	BRE Knight SH CA Owner – Serento Casa	Serento Casa – Managed by Generations	BRE Knight SH CA Owner – Serento Rosa	Serento Rosa – Managed by Generations	Blossom Vale Senior Living - Managed by Compass	BRE Knight SH CA Owner, LLC	Combined
<b>Current assets</b>							
Cash and cash equivalents	\$ -	\$ 231,536	\$ -	\$ 157,748	\$ 349,396	\$ 3,613	\$ 742,293
Accounts receivable, net SNF	-	1,013,497	-	790,712	41,163	-	1,845,372
Accounts receivable, net RCFE	-	105,851	-	116,837	-	-	222,688
Due from related parties	10,429,688	1,361,447	18,724,281	1,465,873	(2,648,170)	-	29,333,119
Prepaid expenses	-	210,039	-	172,373	42,046	-	424,458
Inventories	-	14,435	-	14,959	-	-	29,394
Interest rate cap	94,791	-	90,714	-	33,296	-	218,801
Total current assets	10,524,479	2,936,805	18,814,995	2,718,502	(2,182,269)	3,613	32,816,125
<b>Replacement reserves</b>	29,836	-	31,734	-	15,303	-	76,873
<b>Fixed assets</b>							
Land and improvements	5,634,933	-	3,434,012	-	1,321,854	-	10,390,799
Building and improvements	22,699,948	-	22,376,260	-	19,019,899	-	64,096,107
Furniture and equipment	1,633,665	-	1,532,098	-	1,930,048	-	5,095,811
Finance lease right-of-use assets	-	81,633	-	88,843	-	-	170,476
Less: accumulated depreciation	29,968,546	81,633	27,342,370	88,843	22,271,801	-	79,753,193
	(5,054,121)	(61,225)	(4,900,382)	(66,632)	(4,504,699)	-	(14,587,059)
Construction in progress	24,914,425	20,408	22,441,988	22,211	17,767,102	-	65,166,134
	1,200,416	-	1,372,333	-	-	-	2,572,749
Net fixed assets	26,114,841	20,408	23,814,321	22,211	17,767,102	-	67,738,883
<b>Total assets</b>	\$ 36,669,156	\$ 2,957,213	\$ 42,661,050	\$ 2,740,713	\$ 15,600,136	\$ 3,613	\$ 100,631,881

# BRE KNIGHT SH CA OWNER LLC

## SPECIAL PURPOSE COMBINING BALANCE SHEET

December 31, 2022

(Continued)

### LIABILITIES AND MEMBERS' EQUITY

	BRE Knight SH CA Owner - Sorento Casa	BRE Knight SH CA Owner - Sorento Rosa	BRE Knight SH CA Owner - Sorento Rosa	Serento Rosa - Managed by Generations	Blossom Vale Senior Living - Managed by Compass	BRE Knight SH CA Owner, LLC	Combined
<b>Current liabilities</b>							
Accounts payable	\$ -	\$ 858,226	\$ -	\$ 650,154	\$ 41,716	\$ -	\$ 1,550,096
Accrued personnel expenses	-	373,246	-	413,495	84,707	-	871,448
Contract liability – advanced rent	-	38,956	-	95,663	6,099	-	140,718
Accrued expenses	-	105,585	-	76,320	(23,156)	-	158,749
Lease payable (receivable)	4,629,291	(4,629,291)	2,504,585	(2,504,585)	-	-	-
Resident refunds payable	-	77,578	-	92,040	7,766	-	177,384
Accrued interest	1,129,693	-	1,057,958	-	398,702	-	2,586,353
Finance lease obligations, current portion	-	16,803	-	18,301	-	-	35,104
Total current liabilities	5,758,984	(3,158,897)	3,562,543	(1,158,612)	515,834	-	5,519,852
<b>Long term liabilities</b>							
Finance lease obligations, net of current portion	-	29,792	-	32,586	-	-	62,378
Mortgage payable, net	24,672,612	-	23,623,474	-	8,645,889	-	56,941,975
Total long term liabilities	24,672,612	29,792	23,623,474	32,586	8,645,889	-	57,004,353
<b>Total liabilities</b>	30,431,596	(3,129,105)	27,186,017	(1,126,026)	9,161,723	-	62,524,205
<b>Members' equity</b>							
Members' equity	6,237,560	6,086,318	15,475,033	3,866,739	6,438,413	3,613	38,107,676
<b>Total liabilities and Members' equity</b>	\$ 36,669,156	\$ 2,957,213	\$ 42,661,050	\$ 2,740,713	\$ 15,600,136	\$ 3,613	\$ 100,631,881

# BRE KNIGHT SH CA OWNER LLC

## SPECIAL PURPOSE COMBINING STATEMENTS OF OPERATIONS For the year ended December 31, 2022

	Managed by Generations			Managed by Generations			Managed by Generations		
	BRE Knight SH CA Owner - Sorento Casa	BRE Knight SH CA Owner - Sorento Casa RCFE	GenSanDimas dba Sorento Casa	BRE Knight SH CA Owner - Sorento Rosa	BRE Knight SH CA Owner - Sorento Rosa RCFE	GenYorbalinda dba Sorento Rosa	Blossom Vale Senior Living - Managed by Compass	BRE Knight SH CA Owner, LLC	Combined
<b>Revenue and other income</b>									
Independent living	-	-	-	-	-	-	439,291	-	439,291
Assisted living	\$	\$ 2,120,901	\$ -	\$ -	\$ 2,744,628	\$ -	3,351,926	\$ -	8,217,455
Skilled nursing	-	-	3,058,392	-	-	3,780,734	-	-	6,839,126
Memory care	-	1,849,824	-	-	1,250,126	-	-	-	3,099,950
Rehabilitation	-	-	560,513	-	-	797,677	-	-	1,358,190
Laboratory	-	-	91,752	-	-	111,174	-	-	202,926
Other income	-	1,176	28	-	16,127	20	28,687	-	46,038
Interest	-	-	141	-	-	467	1,124	-	1,732
Non-operating	-	-	-	-	-	-	(2)	-	(2)
Total revenues and other income	-	3,971,901	3,710,826	-	4,010,881	4,690,072	3,821,026	-	20,204,706
<b>Expenses</b>									
Assisted living	-	924,195	-	-	1,065,300	-	1,002,417	-	2,991,912
Skilled nursing	-	-	2,819,044	-	-	2,896,883	-	-	5,715,927
Memory care	-	630,826	-	-	323,207	-	-	-	954,033
Rehabilitation	-	-	530,078	-	-	683,609	-	-	1,213,687
Vitality	-	144,856	61	-	210,740	-	69,613	-	425,270
Laboratory	-	-	81,620	-	-	122,386	-	-	204,006
Activities	-	-	55,291	-	-	74,440	-	-	129,731
Marketing	-	295,676	122,365	-	369,309	126,231	207,213	-	1,120,794
Administration	-	1,336,647	1,000,690	-	1,254,144	1,251,551	700,625	2,279	5,545,936
Dietary	-	729,831	284,365	-	721,677	281,820	766,562	-	2,784,255
Maintenance	-	304,513	116,139	-	205,799	74,259	268,784	-	969,494
Equipment rental	-	23,049	13,541	-	29,789	24,916	-	-	91,295
Housekeeping and laundry	-	164,241	135,556	-	193,568	118,566	90,449	-	702,380
Utilities	-	288,896	115,817	-	303,228	117,516	321,578	-	1,147,035
Lease expense	-	-	-	-	-	-	13,890	-	13,890
Tax and insurance	-	594,273	233,187	-	422,046	165,962	369,506	-	1,784,974
Interest	1,019,346	17,358	6,862	975,504	14,544	7,225	338,050	-	2,398,889
Depreciation	1,014,754	27,211	-	957,721	29,614	-	1,140,049	-	3,169,349
Amortization	18,432	-	-	14,804	-	-	11,292	-	44,528
Disaster	-	127,015	-	-	58,787	-	16,287	-	202,089
Bad debt	-	46	221,748	-	(1,000)	117,118	8,744	-	346,656
Gain (loss) on interest rate cap	(65,759)	-	-	(62,930)	-	-	(23,098)	-	(151,787)
Total expenses	1,986,773	5,608,633	5,736,364	1,885,099	5,200,752	6,062,482	5,321,961	2,279	31,804,343
<b>Other income (expenses)</b>									
Lease expense	(2,025,538)	-	2,025,538	(1,372,410)	-	1,372,410	-	-	-
Total other income (expenses)	(2,025,538)	-	2,025,538	(1,372,410)	-	1,372,410	-	-	-
<b>Net income (loss)</b>	\$ (4,012,311)	\$ (1,636,732)	\$ -	\$ (3,257,509)	\$ (1,189,871)	\$ -	\$ (1,500,935)	\$ (2,279)	\$ (11,599,637)

# BRE KNIGHT SH CA OWNER LLC

## SPECIAL PURPOSE COMBINING STATEMENTS OF CHANGES IN MEMBERS' EQUITY For the Year ended December 31, 2022

	BRE Knight SH CA Owner - Serento Casa	Serento Casa - Managed by Generations	BRE Knight SH CA Owner - Serento Rosa	Serento Rosa - Managed by Generations	Blossom Vale Senior Living - Managed by Compass	BRE Knight SH CA Owner LLC	Combined
Balance, January 1, 2022	\$ 10,249,871	\$ 2,113,050	\$ 18,732,542	\$ 641,610	\$ 5,299,348	\$ 892	\$ 37,037,313
Net income (loss)	(4,012,311)	(1,636,732)	(3,257,509)	(1,189,871)	(1,500,935)	(2,279)	(11,599,637)
Contributions	-	5,610,000	-	4,415,000	2,640,000	5,000	12,670,000
Balance, December 31, 2022	\$ 6,237,560	\$ 6,086,318	\$ 15,475,033	\$ 3,866,739	\$ 6,438,413	\$ 3,613	\$ 38,107,676

# BRE KNIGHT SH CA OWNER LLC

## SPECIAL PURPOSE COMBINING STATEMENTS OF CASH FLOWS For the year ended December 31, 2022

	BRE Knight SH CA Owner - Serento Casa	Serento Casa - Managed by Generations	BRE Knight SH CA Owner - Serento Rosa	Serento Rosa - Managed by Generations	Blossom Vale Senior Living - Managed by Compass	BRE Knight SH CA Owner LLC	Combined
<b>Cash flows from operating activities</b>							
Cash received from residents	\$ -	\$ 7,155,249	\$ -	\$ 8,573,112	\$ 3,741,342	\$ -	\$ 19,469,703
Other receipts	-	1,345	-	16,614	29,809	-	47,768
Interest expense paid	(624,883)	(24,220)	(598,008)	(21,769)	(262,442)	-	(1,531,322)
Cash paid to suppliers and employees	1,847,197	(12,724,491)	1,979,096	(12,953,589)	(4,762,574)	(2,279)	(26,616,640)
<b>Net cash provided by (used in) operating activities</b>	<u>1,222,314</u>	<u>(5,592,117)</u>	<u>1,381,088</u>	<u>(4,385,632)</u>	<u>(1,253,865)</u>	<u>(2,279)</u>	<u>(8,630,491)</u>
<b>Cash flows from investing activities</b>							
Purchase of fixed assets	(1,277,482)	-	(1,433,816)	-	(1,083,245)	-	(3,794,543)
<b>Net cash provided by (used in) investing activities</b>	<u>(1,277,482)</u>	<u>-</u>	<u>(1,433,816)</u>	<u>-</u>	<u>(1,083,245)</u>	<u>-</u>	<u>(3,794,543)</u>
<b>Cash flows from financing activities</b>							
Principal payments on capital lease	-	(15,399)	-	(16,718)	-	-	(32,117)
Contributions	-	5,610,000	-	4,415,000	2,640,000	5,000	12,670,000
Distributions	-	-	-	-	-	-	-
<b>Net cash provided by (used in) financing activities</b>	<u>-</u>	<u>5,594,601</u>	<u>-</u>	<u>4,398,282</u>	<u>2,640,000</u>	<u>5,000</u>	<u>12,637,883</u>
<b>Net change in cash, cash equivalents and restricted cash</b>	<u>(55,168)</u>	<u>2,484</u>	<u>(52,728)</u>	<u>12,650</u>	<u>302,890</u>	<u>2,721</u>	<u>212,849</u>
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	<u>85,004</u>	<u>229,052</u>	<u>84,462</u>	<u>145,098</u>	<u>61,809</u>	<u>892</u>	<u>606,317</u>
<b>Cash, cash equivalents and restricted cash, end of year</b>	<u>\$ 29,836</u>	<u>\$ 231,536</u>	<u>\$ 31,734</u>	<u>\$ 157,748</u>	<u>\$ 364,699</u>	<u>\$ 3,613</u>	<u>\$ 819,166</u>

# BRE KNIGHT SH CA OWNER LLC

## SPECIAL PURPOSE COMBINING STATEMENTS OF CASH FLOWS

For the year ended December 31, 2022

(Continued)

	BRE Knight SH CA Owner - Serento Casa	Serento Casa - Managed by Generations	BRE Knight SH CA Owner - Serento Rosa	Serento Rosa - Managed by Generations	Blossom Vale Senior Living - Managed by Compass	BRE Knight SH CA Owner LLC	Combined
<b>Reconciliations of net income (loss) to net cash provided by (used in) operating activities</b>							
Net income (loss)	\$ (4,012,311)	\$ (1,636,732)	\$ (3,257,509)	\$ (1,189,871)	\$ (1,500,935)	\$ (2,279)	\$ (11,599,637)
<b>Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:</b>							
Depreciation	1,014,754	27,211	957,721	29,614	1,140,049	-	3,169,349
Amortization	18,432	-	14,804	-	11,292	-	44,528
Bad debt	-	221,794	-	116,118	8,744	-	346,656
Reallocation of mortgage with related parties	(5,934,202)	-	5,898,326	-	(6,440)	-	(42,316)
(Gain) loss on interest rate cap	(65,759)	-	(62,930)	-	(23,098)	-	(151,787)
<b>Decrease (increase) in:</b>							
Accounts receivable, net SNF	-	(482,929)	-	(137,136)	(12,746)	-	(632,811)
Accounts receivable, net RCFE	-	(92,450)	-	(113,937)	-	-	(206,387)
Due from related parties	7,781,398	(1,752,936)	(3,919,230)	(1,714,197)	(786,108)	-	(391,073)
Prepaid expenses	-	(46,259)	-	(50,777)	(10,976)	-	(108,012)
Inventories	-	(869)	-	(5,735)	-	-	(6,604)
<b>Increase (decrease) in:</b>							
Accounts payable	-	38,019	-	(157,807)	(81,168)	-	(200,956)
Accrued personnel expenses	-	(4,274)	-	46,365	(18,822)	-	23,269
Contract liability - advanced rent	-	36,433	-	91,906	(44,895)	-	83,444
Accrued expenses	-	113,600	-	24,295	(32,136)	-	105,759
Lease payable	2,025,539	(2,025,538)	1,372,410	(1,372,410)	-	-	1
Resident refunds payable	-	12,813	-	47,940	7,766	-	68,519
Accrued interest	394,463	-	377,496	-	95,608	-	867,567
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 1,222,314</b>	<b>\$ (5,592,117)</b>	<b>\$ 1,381,088</b>	<b>\$ (4,385,632)</b>	<b>\$ (1,253,865)</b>	<b>\$ (2,279)</b>	<b>\$ (8,630,491)</b>

**BRE KNIGHT SH CA OWNER LLC**

**SPECIAL PURPOSE COMBINING BALANCE SHEET**

**December 31, 2021**

**ASSETS**

	BRE Knight SH CA Owner - Serento Casa	Serento Casa - Managed by Generations	BRE Knight SH CA Owner - Serento Rosa	Serento Rosa - Managed by Generations	Blossom Vale Senior Living - Managed by Compass	BRE Knight SH CA Owner LLC	Combined
<b>Current assets</b>							
Cash and cash equivalents	\$ 1 \$	229,052 \$	- \$	145,098 \$	20,447 \$	892 \$	395,490
Accounts receivable, net SNF	-	752,362	-	769,694	37,161	-	1,559,217
Accounts receivable, net RCFE	-	13,401	-	2,900	-	-	16,301
Due from related parties	12,611,198	(391,489)	20,793,960	(248,324)	(3,434,278)	-	29,331,067
Prepaid expenses	-	163,780	-	121,596	31,070	-	316,446
Inventories	-	13,566	-	9,224	-	-	22,790
Interest rate cap	3,318	-	3,176	-	1,166	-	7,660
Total current assets	12,614,517	780,672	20,797,136	800,188	(3,344,434)	892	31,648,971
<b>Replacement reserves</b>	85,004	-	84,462	-	41,362	-	210,828
<b>Fixed assets</b>							
Land and improvements	5,621,933	-	3,417,306	-	1,248,671	-	10,287,910
Buildings and improvements	22,360,638	-	21,993,862	-	18,118,477	-	62,472,997
Furniture and equipment	1,592,906	-	1,516,071	-	1,821,407	-	4,930,384
Finance lease right-of-use asset	-	81,633	-	88,843	-	-	170,476
Less: accumulated depreciation	29,575,497 (4,039,367)	81,633 (34,014)	26,927,239 (3,942,660)	88,843 (37,018)	21,188,555 (3,364,649)	-	77,861,767 (11,417,708)
Construction in progress	25,536,130 -	47,619 -	22,984,579 280,608	51,825 -	17,823,906 -	-	66,444,059 280,608
Net fixed assets	25,536,130	47,619	23,265,187	51,825	17,823,906	-	66,724,667
<b>Total assets</b>	\$ 38,235,651 \$	\$ 828,291 \$	\$ 44,146,785 \$	\$ 852,013 \$	\$ 14,520,834 \$	\$ 892 \$	\$ 98,584,466

**BRE KNIGHT SH CA OWNER LLC**

**SPECIAL PURPOSE COMBINING BALANCE SHEET**

**December 31, 2021**

(Continued)

**LIABILITIES AND MEMBERS' EQUITY**

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



# BRE KNIGHT SH CA OWNER LLC

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

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

# BRE KNIGHT SH CA OWNER LLC

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

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

# BRE KNIGHT SH CA OWNER LLC

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

	BRE Knight SH CA Owner - Serento Casa	Serento Casa - Managed by Generations	BRE Knight SH CA Owner - Serento Rosa	Serento Rosa - Managed by Generations	Blossom Vale Senior Living - Managed by Compass	BRE Knight SH CA Owner LLC	Combined
<b>Cash flows from operating activities</b>							
Cash received from residents	\$ -	\$ 6,526,341	\$ -	\$ 8,617,600	\$ 3,175,684	\$ -	\$ 18,319,625
Other receipts	-	23,789	-	24,748	45,272	-	93,809
Interest expense paid	(319,380)	(6,106)	(298,085)	(8,234)	(69,852)	-	(701,657)
Cash paid to suppliers and employees	(632,529)	(9,005,941)	(2,409,759)	(9,554,798)	(1,403,423)	(3,163)	(23,009,613)
<b>Net cash provided by (used in) operating activities</b>	(951,909)	(2,461,917)	(2,707,844)	(920,684)	1,747,681	(3,163)	(5,297,836)
<b>Cash flows from investing activities</b>							
Purchase of fixed assets	(220,630)	-	(181,348)	-	(1,471,704)	-	(1,873,682)
<b>Net cash provided by (used in) investing activities</b>	(220,630)	-	(181,348)	-	(1,471,704)	-	(1,873,682)
<b>Cash flows from financing activities</b>							
Principal payments on capital lease	-	(13,045)	-	(14,640)	-	-	(27,685)
Contributions	1,241,280	2,693,007	2,957,935	1,018,007	225,000	-	8,135,229
Distributions	-	-	-	(19,028)	-	-	(19,028)
<b>Net cash provided by (used in) financing activities</b>	1,241,280	2,679,962	2,957,935	984,339	225,000	-	8,088,516
<b>Net change in cash, cash equivalents and restricted cash</b>	68,741	218,045	68,743	63,655	500,977	(3,163)	916,998
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	16,264	11,007	15,719	81,443	(439,168)	4,055	(310,680)
<b>Cash, cash equivalents and restricted cash, end of year</b>	\$ 85,005	\$ 229,052	\$ 84,462	\$ 145,098	\$ 61,809	\$ 892	\$ 606,318

# BRE KNIGHT SH CA OWNER LLC

## SPECIAL PURPOSE COMBINING STATEMENTS OF CASH FLOWS

For the year ended December 31, 2021

(Continued)

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

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



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

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinion**

We have audited the accompanying continuing care reserve report (the "Reports") of BRE Knight SH CA Owner LLC and BRE-BKD Knight LLC, the Provisional Certificate of Authority holders, for Serento Casa (the "Community"), which comprise the continuing care liquid reserve schedules Form 5-1 through Form 5-5 as of December 31, 2022. The Reports have been prepared by management using the liquid reserve requirements of California Health and Safety Code Section 1792.

In our opinion, the Reports referred to above present fairly, in all material respects, the liquid reserve schedules Form 5-1 through Form 5-5 of BRE Knight SH CA Owner LLC and BRE-BKD Knight LLC, the Provisional Certificate of Authority holders, for Serento Casa, as of December 31, 2022, in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792.

### **Basis for Opinion**

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

### **Basis of Accounting**

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



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

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

Management is responsible for the preparation and fair presentation of the Reports in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of Reports that are free from material misstatement, whether due to fraud or error.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts in the Reports.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Community's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Reports.



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

### **Other Matter**

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

### **Restriction on Use**

Our report is intended solely for the information and use of the Community and for filing with the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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

*Hansen Hunter + Co. P.C.*

August 1, 2023



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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid In Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	3/29/2017	\$0	\$1,019,346	\$0	\$1,019,346
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>		\$0	\$1,019,346	\$0	\$1,019,346

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

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

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

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

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

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					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>					\$0

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

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

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

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$1,019,346
2	Total from Form 5-2 bottom of Column (e)	\$0
3	Facility leasehold or rental payment paid by provider during fiscal year. (including related payments such as lease insurance)	\$0
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$1,019,346

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

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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$13,331,770
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	\$1,019,346	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$0	
c.	Depreciation	\$1,041,965	
d.	Amortization	\$18,432	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$6,718,813	
f.	Extraordinary expenses approved by the Department	\$0	
3	Total Deductions		\$8,798,556
4	Net Operating Expenses		\$4,533,214
5	Divide Line 4 by 365 and enter the result.		\$12,420
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.		\$931,482

**PROVIDER:**  
**COMMUNITY:**

BRE KNIGHT SH CA OWNER LLC AND BRE-BKD KNIGHT LLC  
SERENTO CASA

## FORM 5-5 ANNUAL RESERVE CERTIFICATION

Provider Name: BRE KNIGHT SH CA OWNER LLC AND BRE-BKD KNIGHT LLC

Community Name: SERENTO CASA

Fiscal Year Ended: DECEMBER 31, 2022

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the Period ended DECEMBER 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:

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$1,019,346
[2] Operating Expense Reserve Amount	\$931,482
[3] <b>Total Liquid Reserve Amount:</b>	<b>\$1,950,828</b>

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

<u>Qualifying Asset Description</u>	<u>Amount</u> (market value at end of quarter)	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	\$1,019,346 (See Attachment III)	\$931,482 (See Attachment III)
[5] Investment Securities	\$0	\$0
[6] Equity Securities	\$0	\$0
[7] Unused/Available Lines of Credit	\$0	\$0
[8] Unused/Available Letters of Credit	\$0	\$0
[9] Debt Service Reserve	\$0	(not applicable)
[10] Other:	\$0	\$0
_____ (describe qualifying asset)		
<b>Total Amount of Qualifying Assets Listed for Liquid Reserve:</b>	[11] <u>\$1,019,346</u>	[12] <u>\$931,482</u>
<b>Total Amount Required:</b>	[13] <u>\$1,019,346</u>	[14] <u>\$931,482</u>
<b>Surplus/(Deficiency):</b>	[15] <u>\$0</u>	[16] <u>\$0</u>

Signature:

*Chris Mainiot*

(Authorized Representative)

Date: 08/01/2023

Vice President

(Title)

## **SUPPLEMENTARY INFORMATION**

**FORM 5-4  
ATTACHMENT I**

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

Interest on long-term debt (Line 2A)	\$ 1,019,346
Interest (other)	<u>24,220</u>
Total interest, per statement of operations	<u><u>\$ 1,043,566</u></u>

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

Total revenues, per statements of operations	\$ 7,682,727
Net change in accounts receivable	(353,585)
Net change in resident refunds payable	12,813
Net change in contract liability – advanced rent	36,433
Less: other income	(1,345)
Less: bad debt	<u>(221,794)</u>
Cash received from residents, per cash flow	\$ <u>7,155,249</u>
Revenues received during the year ended December 31, 2022 for services to persons who did not have a continuing care contract	\$ 6,718,813
Revenues received during the year ended December 31, 2022 for services to persons who did have a continuing care contract	962,569
Net change in accounts receivable	(353,585)
Net change in resident refunds payable	12,813
Net change in contract liability – advanced rent	36,433
Less: bad debt	<u>(221,794)</u>
Cash received from residents, per cash flow	\$ <u>7,155,249</u>



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

BRE-BKD Knight LLC is included as a provider to backstop the financial obligations of BRE Knight SH CA Owner LLC to the residents of the Community. As evidenced by its financial statements showing cash on hand in its own bank accounts of \$5,225,863, BRE-BKD Knight LLC amply satisfies the liquid reserve requirement of \$1,950,828.

**FORM 5-5**  
**ATTACHMENT IV**  
**Note to the Continuing Care Reserve Report (Part 5)**

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

Section 1792 of the Code indicates that the Company should maintain at all times qualifying assets as a liquid reserve in an amount that equals or exceeds the sum of the following:

- The amount the provider is required to hold as a debt service reserve under Section 1792.3.
- The amount the provider must hold as an operating expense reserve under Section 1792.4.

In accordance with the Code, the Community has calculated its liquid reserve requirement as of December 31, 2022, the most recent fiscal period end, and the reserve calculation of \$1,950,828 is based on the Community's audited financial statements for the year ended December 31, 2022.

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

▪ Description of all Reserves Maintained

	<u>December 31, 2022</u>
Cash and cash equivalents, GenSanDimas, LLC	\$ 231,536
Cash and cash equivalents, BRE BKD Knight LLC	<u>5,225,863</u>
	\$ <u>5,457,399</u>

▪ Funds Accumulated for Specific Projects or Purposes

- The cash and cash equivalents are used for operations.

▪ Per Capita Cost of Operations

Total operating Expenses (Form 5-4, Line 1)	\$ 13,331,770
Mean number of all residents (Form 1- 1 Line 10)	<u>/ 81</u>
	\$ <u>164,590</u>

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

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

Date Prepared: 08/01/2023

FACILITY NAME: SERENTO CASA

ADDRESS: 1740 SAN DIMAS AVENUE, SAN DIMAS, CA ZIP CODE: 91773 PHONE: (909) 248-2430

PROVIDER NAME: BRE KNIGHT SH CA OWNER LLC and BRE-BKD KNIGHT LLC FACILITY OPERATOR: BRE KNIGHT SH CA OWNER LLC

RELATED FACILITIES: NONE RELIGIOUS AFFILIATION: NONE

YEAR OPENED: 1999 # OF ACRES: 2.5 ☐ SINGLE STORY ☒ MULTI-STORY ☐ OTHER: \_\_\_\_\_ MILES TO SHOPPING CTR: 2  
MILES TO HOSPITAL: 4

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

TYPE OF OWNERSHIP: ☐ NOT-FOR- PROFIT ☒ FOR PROFIT ACCREDITED?: ☐ YES ☒ NO BY: \_\_\_\_\_

FORM OF CONTRACT: ☒ CONTINUING CARE ☐ LIFE CARE ☐ ENTRANCE FEE ☐ FEE FOR SERVICE  
(check all that apply) ☐ ASSIGNMENT OF ASSETS ☐ EQUITY ☐ MEMBERSHIP ☐ RENTAL

REFUND PROVISIONS (Check all that apply): ☐ Refundable ☐ Repayable ☐ 90% ☐ 75% ☐ 50% ☐ OTHER: \_\_\_\_\_

RANGE OF ENTRANCE FEES: \$0 TO \$0 LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: NONE

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: N/A OTHER: N/A

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

A resident representative meets with a representative of the governing body periodically to discuss budgeting and other resident matters.

COMMON AREA AMENITIES	FACILITY SERVICES AND AMENITIES			
	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	
			INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (2 TIMES/MONTH)	<input checked="" type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (3/DAY)	<input checked="" type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>
EXERCISE ROOM	<input type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>
SWIMMING POOL – INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input type="checkbox"/>
SWIMMING POOL – OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION–PERSONAL	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION–PREARRANGED	<input checked="" type="checkbox"/>
WORKSHOP	<input type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>		

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

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

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

**MULTI-LEVEL RETIREMENT COMMUNITIES**


**FREE-STANDING SKILLED NURSING**


**SUBSIDIZED SENIOR HOUSING**


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

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

	2019	2020	2021	2022
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	\$ N/A	\$ 3,087,417	\$ 6,781,608	\$ 7,682,727
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, and interest)	N/A	3,087,588	10,413,432	11,227,807
<b>NET INCOME FROM OPERATIONS</b>	N/A	(171)	(3,631,824)	(3,545,080)
<b>LESS INTEREST EXPENSE</b>	N/A	(200,890)	(626,897)	(1,043,566)
<b>PLUS CONTRIBUTIONS</b>	N/A	0	0	0
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	N/A	0	0	0
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	\$ N/A	\$ (201,061)	\$ (4,258,721)	\$ (4,588,646)
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	\$ N/A	\$ 0	\$ 0	\$ 0

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGATION	DATE OF MATURITY	AMORTIZATION PERIOD
KeyBank National Association – Master Credit Facility	Allocated \$24,672,512	Variable – LIBOR plus margin	3/29/2017	4/1/2027	Forbearance granted for reduced interest through 7/31/2023; Loan modification under discussion. Principal payments will commence monthly starting 2/1/2025 until maturity.

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

	2019 CCAC Medians 50 <sup>th</sup> Percentile (optional)	2020	2021	2022
<b>DEBT TO ASSET RATIO</b>		88.07%	90.86%	88.64%
<b>OPERATING RATIO</b>		1.03	1.51	1.57
<b>DEBT SERVICE COVERAGE RATIO</b>		-1.77	-14.85	-5.83
<b>DAYS CASH ON HAND RATIO</b>		1.2	7.60	6.9

**HISTORICAL MONTHLY SERVICE FEES**

(Average Fee and Change Percentage)

	2019	%	2020	%	2021	%	2022	%
<b>STUDIO</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>ONE BEDROOM</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>TWO BEDROOM</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>COTTAGE/HOUSE</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>ASSISTED LIVING</b>	N/A	N/A	\$4,885	5%	\$5,042	3%	\$5,506	7%
<b>SKILLED NURSING</b>	N/A	N/A	\$12,212	5%	\$14,161	16%	\$15,095	7%
<b>SPECIAL CARE</b>	N/A	N/A	\$5,289	5%	\$5,765	9%	\$6,894	20%

**COMMENTS FROM PROVIDER:** Fees vary according to size of unit and amenities provided. The average fees are based on total revenue divided by units occupied. Revenue is created through the CCRC and RCFE contract rate plus increases for each client. Form 7 includes the rate increase for contracts. The rates did not go into effect on 1/1/2022, so the rate increase would not apply to all twelve months. The average rate may not match the rate increase, due to the mix of residents in different unit sizes and amenities provided. The increase in the skilled nursing is directly related to the increase in patient acuity in the current year over the prior year, and the increase in Medicare reimbursement rates.

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

### FINANCIAL RATIO FORMULAS

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

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

#### OPERATING RATIO

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

#### Debt Service Coverage Ratio

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

#### DAYS CASH ON HAND RATIO

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

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



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

**FORM 7-1**

**[1]** Monthly Care Fees at beginning of reporting period:  
(indicate range, if applicable)

**[3]** Indicate the date the fee increase was implemented: March 1, 2022 AL  
May 1, 2022 SKILLED  
(If more than 1 increase was implemented, indicate the dates for each increase.)

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

Skilled Line		2020	2021	2022
[1]	FY 2020 Operating Expenses (Adjustments if any, explained below)	<u>(\$1,364,084)</u>		
[2]	FY 2021 Operating Expenses (Adjustments if any, explained below)		<u>(\$5,461,910)</u>	
[3]	Projected FY 2022 Results of Operations (Adjustments if any, explained below)			<u>(\$4,557,751)</u>
[4]	FY 2022 Anticipated MCF Revenue Based on Current and Projected Occupancy and Other without a MCFI			<u>\$3503,785</u>
[5]	Projected FY 2022 (Net) Operating Results without MCFI (Line 3 plus Line 4)			<u>(\$1,053,966)</u>
[6]	Projected FY 2022 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI %			<u>\$3,726,204</u>
[7]	Grand Total – Projected FY 2022 Net Operating Activity After % MCFI (Line 3 plus Line 6)			<u>(\$831,547)</u>
	MONTHLY CARE FEE INCREASE:			<u>3%</u>

**Adjustments Explained:**

**PROVIDER:**  
**COMMUNITY:**

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

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

Assisted Living/Memory Care				
<u>Line</u>		<u>2020</u>	<u>2021</u>	<u>2022</u>
[1]	FY 2020 Operating Expenses (Adjustments if any, explained below)	<u>(\$1,528,600)</u>		
[2]	FY 2021 Operating Expenses (Adjustments if any, explained below)		<u>(\$4,987,608)</u>	
[3]	Projected FY 2022 Results of Operations (Adjustments if any, explained below)			<u>(\$5,287,072)</u>
[4]	FY 2022 Anticipated MCF Revenue Based on Current and Projected Occupancy and Other without a MCFI			<u>\$5,321,300</u>
[5]	Projected FY 2022 (Net) Operating Results without MCFI (Line 3 plus Line 4)			<u>\$34,228</u>
[6]	Projected FY 2022 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI %			<u>\$5,510,262</u>
[7]	Grand Total – Projected FY 2022 Net Operating Activity After % MCFI (Line 3 plus Line 6)			<u>\$223,190</u>
MONTHLY CARE FEE INCREASE:				<u>7%</u>

**Adjustments Explained:**

<b>PROVIDER:</b>	<b>BRE KNIGHT SH CA OWNER LLC AND BRE-BKD KNIGHT LLC</b>
<b>COMMUNITY:</b>	<b>SERENTO CASA</b>

Serento Casa

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

Annual monthly fees increase effective March 1, 2022 and May 1, 2022

- Assisted Living – 7% - March 1, 2022
- Memory Care – 7% - March 1, 2022
- Skilled Nursing – 3% - May 1, 2022

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

Regarding the community expenses, we estimated the cost of providing services for the residents using both actual cost data, wage study, and projections based on vendor pricing increases. We anticipate labor costs as well as other costs including, but not limited to food, utilities, supplies, and professional services to continue to increase.

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

**Skilled Nursing**

The increase in the skilled average rate was due to the annual increase for private pay residents. Medicare and Managed Care rates remained flat in that the blended rate only saw an incremental increase. The average monthly rate on the disclosure will not match the rate increase on Form 7 due to these variables in the acuity of the residents, Medicare's reimbursement rate increases and the contract rates with insurance providers.


**Special Care (Level of Care Fees)**

There was a 5% increase in Special Care on March 1, 2022. The average monthly rate on the disclosure will not match the rate increase on Form 7 due to these variables in the acuity of the residents, Medicare's reimbursement rate increases and the contract rates with insurance providers.

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

KEY INDICATORS REPORT  
BRE KNIGHT SH CA OWNER LLC and BRE-BKD KNIGHT LLC  
SERENTO CASA  
FISCAL YEAR ENDED DECEMBER 31, 2022

Date Prepared: 08/01/2023

DocuSigned by:  
  
43386C2508B545C0  
Authorized Representative Signature

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

	2018	2019	2020	2021	2022	Projected 2023	2024	2025	2026	2027	Preferred Trend Indicator
<b>OPERATIONAL STATISTICS</b>											
1. Average Annual Occupancy by Site (%)	N/A	N/A	55.4	48.9	47.5	59.5	73	82.4	86.7	87.1	N/A
<b>MARGIN (PROFITABILITY) INDICATORS</b>											
2. Net Operating Margin (%)	N/A	N/A	-10	-42	-43	-21	-5	6	7	7	↑
3. Net Operating Margin – Adjusted (%)	N/A	N/A	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	↓
<b>LIQUIDITY INDICATORS</b>											
4. Unrestricted Cash and Investments (\$000)	N/A	N/A	11	229	231	300	350	400	450	500	↑
5. Days Cash on Hand (Unrestricted)	N/A	N/A	1.2	7.6	6.9	8.3	9.0	9.7	10.5	11.2	↑
<b>CAPITAL STRUCTURE INDICATORS</b>											
6. Deferred Revenue from Entrance Fees (\$000)	N/A	N/A	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A
7. Net Annual E/F proceeds (\$000)	N/A	N/A	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A
8. Unrestricted Net Assets (\$000)	N/A	N/A	N/A2	N/A2	N/A2	N/A2	N/A2	N/A2	N/A2	N/A2	N/A
9. Annual Capital Asset Expenditure (\$000)	N/A	N/A	194	220	1,277	509	551	577	594	611	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	N/A	N/A	-1.76	-5.85	-3.48	-2.09	-.71	.32	.48	.03	↑
11. Annual Debt Service Coverage (x)	N/A	N/A	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1	↑
12. Annual Debt Service/Revenue (%)	N/A	N/A	7.35	9.15	13.27	11.57	9.16	11.32	11.05	159.96	↓
13. Average Annual Effective Interest Rate (%)	N/A	N/A	2.56	2.52	4.13	4.34	4.55	4.7	5.02	5.48	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	N/A	N/A	0.05	0.93	.94	1.22	1.42	1.62	1.86	N/A	↑
15. Average Age of Facility (years)	N/A	N/A	3.4	4.3	4.9	5.6	6.3	7.0	6.6	7.2	↓

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

**Key Indicator Report Attachment**

N/A:

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

N/A1:

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

N/A2:

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