

12 / 31 / 2021

April 27, 2022

Continuing Care Contracts Branch

California Department of Social Services

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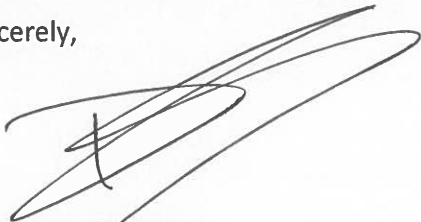
To Whom It May Concern:

I, Darren Smith, certify that the annual audit, reports and any amendments thereto submitted for December 31, 2021 for Compass Health, Inc., dba Bayside Care Center, Casa de Flores as well as Arroyo Grande Care Center and Wyndham Residence have been audited by a Certified Public Accountant and are true and correct to the best of my knowledge.

The continuing care contract forms currently in use and offered to new residents at Bayside Care Center, Casa de Flores, Arroyo Grande Care Center and Wyndham Residence have been approved by the Department of Social Services.

Compass Health, Inc. is maintaining the required liquid reserve of \$3,815,563.

Sincerely,



Darren Smith, CEO  
Compass Health, Inc.  
(805) 474-7010 x 109



# CERTIFICATE OF LIABILITY INSURANCE

5/1/2022

DATE (MM/DD/YYYY)

5/4/2021

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

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

<b>PRODUCER</b> Lockton Insurance Brokers, LLC 777 S. Figueroa Street, 52nd Fl. CA License #0F15767 Los Angeles CA 90017 (213) 689-0065	<b>CONTACT NAME:</b>	
	<b>PHONE (A/C, No, Ext):</b> <b>FAX (A/C, No):</b>	
<b>INSURED</b> 1049304 Compass Health, Inc. 200 S. 13th Street, Suite 208 Grover Beach CA 93433	<b>E-MAIL ADDRESS:</b>	
	<b>INSURER(S) AFFORDING COVERAGE</b>	
	<b>INSURER A : Admiral Insurance Company</b>	
	<b>INSURER B : Liberty Mutual Fire Insurance Company</b>	
	<b>INSURER C : Liberty Insurance Corporation</b>	
	<b>INSURER D :</b>	
<b>INSURER E :</b>		
<b>INSURER F :</b>		


**COVERAGES** COMHE01 **CERTIFICATE NUMBER:** 17549568 **REVISION NUMBER:** XXXXXXXX

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 WVP	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> <b>COMMERCIAL GENERAL LIABILITY</b> <input checked="" type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> Professional Liab <input checked="" type="checkbox"/> SIR 250K GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC OTHER:	N	N	257AL21A1106AR	5/1/2021	5/1/2022	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 50,000 MED EXP (Any one person) \$ Not Applicable PERSONAL & ADV INJURY \$ XXXXXXXX GENERAL AGGREGATE \$ 3,000,000 PRODUCTS - COMP/OP AGG \$ XXXXXXXX \$
B	<input checked="" type="checkbox"/> <b>AUTOMOBILE LIABILITY</b> <input checked="" type="checkbox"/> ANY AUTO OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY	N	N	AS2-641-445459-021	5/1/2021	5/1/2022	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ XXXXXXXX BODILY INJURY (Per accident) \$ XXXXXXXX PROPERTY DAMAGE (Per accident) \$ XXXXXXXX Comp/Coll Ded \$ 1,000
	<input type="checkbox"/> <b>UMBRELLA LIAB</b> <input type="checkbox"/> OCCUR <input type="checkbox"/> <b>EXCESS LIAB</b> <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input type="checkbox"/> RETENTION \$			NOT APPLICABLE			EACH OCCURRENCE \$ XXXXXXXX AGGREGATE \$ XXXXXXXX \$ XXXXXXXX
C	<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 N	N/A	EW7-64N-445459-021	5/1/2021	5/1/2022	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)  
RE: Evidence of Coverage.

**CERTIFICATE HOLDER****CANCELLATION** See Attachments

17549568 Evidence of Insurance	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE 

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Evidence of Insurance

**To whom it may concern:**

In our continuing effort to provide timely certificate delivery, Lockton Companies is transitioning to **paperless delivery** of Certificates of Insurance, thus, this is your final hard-copy delivery.

To ensure electronic delivery for future renewals of this certificate, we need your email address. Please contact us via one of the methods below, referencing Certificate ID **17549568**.

- Email: [PacificeDelivery@lockton.com](mailto:PacificeDelivery@lockton.com)
- Phone: (213) 689-2300

If you received this certificate through an internet link where the current certificate is viewable, we have your email and no further action is needed.

In the event your mailing address has changed, will change in the future, or you no longer require this certificate, please let us know using one of the methods above.

*The above inbox and phone number below are for automating electronic delivery of certificates only. Please do NOT send future certificate requests to the above inbox or call into the number below.*

Thank you for your cooperation and willingness in reducing our environmental footprint.

**Lockton Insurance Brokers, LLC - Pacific Series**

Lockton Insurance Brokers, LLC  
License #0F15767  
777 S Figueroa Street, 52nd Fl / Los Angeles, CA 90017-5524  
213-689-0065 / FAX: 213-689-0550  
[lockton.com](http://lockton.com)



# Compass Health, Inc.

Location Schedule

LOCATION / FACILITY	LOCATION ADDRESS
Compass Health, Inc. (Corporate Office)	200 S. 13th Street, #201 Grover Beach, CA 93433
Arroyo Grande Care Center	1212 Farroll Avenue Arroyo Grande, CA 93420
Danish Care Center	10805 El Camino Real Atascadero, CA 93422
Vineyard Hills Health Center	290 Heather Court Templeton, CA 93465
San Luis Transitional Care	1575 Bishop Street San Luis Obispo, CA 93401
Bayside Care Center/Casa de Flores	1405 Teresa Drive Morro Bay, CA 93442
Wyndham Residence	222 S. Elm Street Arroyo Grande, CA 93420
Mission View Health Center (Woodside Nursing Center)	1425 Woodside Drive San Luis Obispo, CA 93401
San Luis Post Acute Center	3033 Augusta Street, San Luis Obispo, CA 93401

**COMPASS HEALTH, INC. AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**

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**DECEMBER 31, 2021 AND 2020**

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## **SETO KIRAKOSIAN**

Accountancy, Corp

### **Independent Auditors' Report**

To the Board of Directors of  
Compass Health, Inc. and Subsidiary  
Grover Beach, California

#### **Opinion**

We have audited the accompanying consolidated financial statements of Compass Health, Inc. (a California corporation) and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Compass Health, Inc. and Subsidiary as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Consolidated Financial Statements**

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

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



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Compass Health, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Compass Health, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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



Sierra Madre, California

April 29, 2022

**COMPASS HEALTH, INC. AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEETS**

**DECEMBER 31, 2021 AND 2020**

	ASSETS	
	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 11,778,500	\$ 23,106,900
Restricted cash	187,900	-
Accounts receivable, net	7,225,200	9,116,500
Supplies	3,900	2,900
Prepaid expenses	850,700	838,300
Due from related parties, net	<u>1,458,000</u>	<u>1,599,200</u>
Total current assets	21,504,200	34,663,800
INVESTMENTS	-	478,300
PLANT, PROPERTY, AND EQUIPMENT, net	4,628,000	5,032,200
INTANGIBLE ASSETS, net	51,200	58,600
DEPOSITS AND OTHER ASSETS	<u>65,000</u>	<u>65,000</u>
Total assets	\$ <u>26,248,400</u>	\$ <u>40,297,900</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 1,702,600	\$ 2,072,400
Accrued compensation and related expenses	6,684,500	7,094,300
Income taxes payable	192,800	208,500
Security deposits and other liabilities	5,883,600	8,689,000
Current portion of long-term debt	<u>229,500</u>	<u>217,600</u>
Total current liabilities	14,693,000	18,281,800
LONG-TERM DEBT, net of current portion	<u>304,600</u>	<u>534,000</u>
Total liabilities	14,997,600	18,815,800
COMMITMENTS AND CONTINGENCIES	-	-
<b>SHAREHOLDER'S EQUITY:</b>		
Controlling interests:		
Common stock, no par value; 1,000 shares authorized; 1,000 shares issued and outstanding	31,900	31,900
Paid-in-capital	-	1,979,900
Retained earnings	<u>11,218,900</u>	<u>16,382,300</u>
	11,250,800	18,394,100
Minority interest	<u>-</u>	<u>3,088,000</u>
Total shareholder's equity	<u>11,250,800</u>	<u>21,482,100</u>
Total liabilities and shareholder's equity	\$ <u>26,248,400</u>	\$ <u>40,297,900</u>

The accompanying notes are an integral part  
of the consolidated financial statements

**COMPASS HEALTH, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AND SHAREHOLDER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
REVENUES:		
Net patient service revenue	\$ 62,211,200	\$ 64,523,800
Net residential board and care revenue	6,631,100	5,828,200
Net other revenue	<u>2,769,700</u>	<u>6,247,700</u>
Total revenues	<u>71,612,000</u>	<u>76,599,700</u>
EXPENSES:		
Nursing services	26,622,300	27,950,900
Plant operations and maintenance	3,379,600	3,385,300
Housekeeping and laundry	2,761,700	2,842,300
Dietary	6,142,000	6,195,000
Social services and activities	1,505,000	1,504,700
Education	458,600	512,200
General and administrative	19,861,300	20,463,200
Interest expense	35,200	43,200
Pharmacy	1,264,500	1,428,500
Laboratory	289,000	282,700
X-ray	<u>158,900</u>	<u>188,700</u>
Total expenses	<u>62,478,100</u>	<u>64,796,700</u>
INCOME BEFORE MINORITY INTEREST AND INCOME TAX PROVISION	9,133,900	11,803,000
INCOME ATTRIBUTED TO THE MINORITY INTEREST	<u>(478,500)</u>	<u>(1,069,200)</u>
INCOME BEFORE INCOME TAX PROVISION	8,655,400	10,733,800
INCOME TAX PROVISION	<u>(169,400)</u>	<u>(221,100)</u>
NET INCOME	8,486,000	10,512,700
DISTRIBUTIONS TO SHAREHOLDER	(12,295,800)	(4,314,800)
MINORITY INTEREST PURCHASE	(1,353,600)	-
RETAINED EARNINGS, beginning of year	<u>16,382,300</u>	<u>10,184,400</u>
RETAINED EARNINGS, end of year	\$ <u>11,218,900</u>	\$ <u>16,382,300</u>

The accompanying notes are an integral part  
of the consolidated financial statements

**COMPASS HEALTH, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 8,485,900	\$ 10,512,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Income attributed to the minority interest	478,500	1,069,200
Depreciation and amortization	530,100	649,300
Deferred rent	-	(916,000)
Net (income) from investments	(164,800)	(175,900)
Net (gain) on investments	(180,700)	-
Changes in assets and liabilities:		
Decrease in accounts receivable, net	1,891,300	102,100
(Increase) in supplies	(900)	-
(Increase) decrease in prepaid expenses	(12,500)	40,400
Decrease (increase) in due from related parties, net	141,200	(85,700)
(Decrease) increase in accounts payable	(369,800)	515,200
(Decrease) increase in accrued compensation and related expenses	(409,800)	1,457,800
(Decrease) increase in income taxes payable	(15,700)	58,500
(Decrease) increase in security deposits and other liabilities	<u>(2,805,400)</u>	<u>7,149,300</u>
Net cash provided by operating activities	<u>7,567,400</u>	<u>20,376,900</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of plant, property, and equipment	(118,500)	(131,800)
Proceeds from investments, net	<u>823,800</u>	<u>41,500</u>
Net cash provided by (used in) investing activities	<u>705,300</u>	<u>(90,300)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
(Principal payments on) long-term debt	(217,400)	(149,600)
Distributions to minority interest	-	(247,000)
Minority interest purchase	(6,900,000)	-
Distributions to shareholder	<u>(12,295,800)</u>	<u>(4,314,800)</u>
Net cash (used in) financing activities	<u>(19,413,200)</u>	<u>(4,711,400)</u>
Net change in cash, cash equivalents, and restricted cash	(11,140,500)	15,575,200
Cash, cash equivalents, and restricted cash at beginning of year	<u>23,106,900</u>	<u>7,531,700</u>
Cash, cash equivalents, and restricted cash at end of year	\$ <u>11,966,400</u>	\$ <u>23,106,900</u>

The accompanying notes are an integral part  
of the consolidated financial statements

**COMPASS HEALTH, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

	<u>2021</u>	<u>2020</u>
Cash paid during the year for:		
Income taxes	\$ <u>185,200</u>	\$ <u>162,600</u>
Interest paid	\$ <u>35,200</u>	\$ <u>43,200</u>

The accompanying notes are an integral part  
of the consolidated financial statements

## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1 - ORGANIZATION

##### Nature of Operations

Compass Health, Inc. and Subsidiary (the "Company"), was incorporated in the state of California on January 5, 1995. The Company was formed with a view to consolidate various health care businesses in San Luis Obispo County, including Arroyo Grande Care Center, Danish Care Center, and SeaShell Communities (Pacific Care Center, Inc.).

On or around February 1, 1995, the Company entered into binding purchase agreement with each of the above named entities under which it agreed to acquire all of the assets of each entity, subject to all liabilities, solely in exchange for voting common stock of the Company.

As of December 31, 2007, the Company is 100% subsidiary of Compass Holding, Inc. Through a reverse triangular merger, Compass Health Inc. became a wholly owned subsidiary of Compass Holding, Inc. The board of Compass Health Inc. declared a shareholder distribution of its Compass Media Group, Inc. and The Old Custom House, Inc. to Compass Holding, Inc. as of the closing of business on December 31, 2007.

The Company currently employs in excess of 816 employees, with approximately 678 of them being full time employees. The Company manages and operates the following facilities:

1. Vineyard Hills Health Center in Templeton, California (99-bed skilled nursing facility)
2. Danish Care Center in Atascadero, California (65-bed skilled nursing facility)
3. Bayside Care Center in Morro Bay, California (145-bed skilled nursing facility) and Casa de Flores in Morro Bay, California (100-bed residential care facility for the elderly)
4. Arroyo Grande Care Center in Arroyo Grande, California (99-bed skilled nursing facility)
5. Wyndham Residence in Arroyo Grande, California (62-bed residential care facility for the elderly)
6. San Luis Transitional Care Center in San Luis Obispo, California (23-bed skilled nursing facility)

## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1 - ORGANIZATION – CONTINUED

##### Nature of Operations - Continued

7. Mission View Health Care Center in San Luis Obispo, California (162-bed skilled nursing facility)
8. San Luis Post Acute Center in San Luis Obispo, California (162-bed skilled nursing facility).

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#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Principles of Consolidation

The consolidated financial statements include the accounts of Compass Health, Inc. (a California S Corporation), and a 50% owned subsidiary Coastal, LLC, which operates Vineyard Hills Health Center and Danish Care Center, (the "Subsidiary"). On August 31, 2021, Compass Health, Inc. purchased the remaining 50% interest in Coastal, LLC.

All significant intercompany accounts and material transactions have been eliminated in consolidation.

##### Basis of Accounting

The Company's consolidated financial statements are prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

##### Revenues

Patient service revenue is reported as services are performed and is net of contractual allowances. The Company provides services to certain patients covered by various third-party payer programs, including the federal Medicare and state Medi-Cal programs. Billings for services under these third-party payer programs are included in revenues, net of allowance for estimated differences between list prices and allowable program rates. Total contractual allowances, which increased revenues during the years ended December 31, 2021 and 2020 were \$5,433,600 and \$4,979,800, respectively.

Revenues from direct billings under federal Medicare program and state Medi-Cal program, net of contractual allowances, during the years ended December 31, 2021 and 2020 were approximately 91% and 88%, respectively, of net patient service revenue.

## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### Revenues - Continued

At December 31, 2021 and 2020, the amounts due from federal and state third-party payors were approximately \$5,979,900 and \$7,004,300, respectively, and are included in accounts receivable in the accompanying consolidated financial statements.

Residential board and care revenue is recognized on a monthly basis over the period of the leases. The Company rents out the units on a month-to-month basis and therefore, does not account for rental abatements and escalations as deferred rent.

The provision for bad debts is considered an implicit price concession and is recognized as a reduction to patient service and residential board and care revenues. Subsequent changes in the estimate of collectability due to an adverse change in the financial status or ability to pay of a payor is recognized as bad debt expense.

The Company's initial estimate of the transaction price subject to revenue recognition is determined by reducing the total standard charges for patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, retroactive adjustments, and other reductions to the Company's standard charges. Transaction price associated with services provided to patients who have third-party payor coverage is determined on the basis of contractual or formula-driven rates for the services rendered.

Estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private health care coverage and other collection indicators. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

Revenue from patient service and residential board and care is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided.

Through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Paycheck Protection Program and Health Care Enhancement Act (PPPCHE), the federal government has allocated funds to be distributed through the Provider Relief Fund (PRF). PRF supports healthcare providers in the battle against the COVID-19 pandemic. Qualified providers of health care, services, and support may receive Provider Relief Fund payments for healthcare-related expenses or lost revenue due to COVID-19. These distributions do not need to be repaid to the US government, assuming providers comply with the terms and conditions.



## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### Revenues - Continued

During the years ended December 31, 2021 and 2020, the Company received \$2,697,600 and \$5,990,450, respectively from the PRF. As of December 31, 2021 and 2020, unspent funds from the PRF amounted to \$238,300 and \$0, respectively, which are included in security deposits and other liabilities in the accompanying consolidated balance sheets. PRF earned during the year are included in net other revenue. The management believes the Company is in compliance with the terms and conditions of the PRF.

##### Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, or that are convertible to cash on demand, and are subject to an insignificant risk of changes in fair value. Amounts included in restricted cash represent those required to be set aside under the Quality and Accountability Supplemental Payment Program. These amounts are recorded at cost, which approximates fair value.

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 11,778,500	\$ 23,106,900
Restricted cash	<u>187,900</u>	<u>-</u>
Total cash, cash equivalents, and restricted cash shown in the consolidated statement of cash flows	\$ <u>11,966,400</u>	\$ <u>23,106,900</u>

##### Accounts Receivable

Accounts receivable consists of amounts billed to patients and tenants less price concessions relating to allowances for the excess of established charges over the payments to be received on behalf of patients covered by Medicare, Medi-Cal and other insurers. The Company analyzes historical collection trends, reimbursement experience, and revenue adjustment trends by third-party payors as an integral part of the estimation process related to determining the adequacy of price concessions and the valuation allowance for accounts receivable. The Company does not charge interest on accounts receivable. At December 31, 2021 and 2020, allowance for price concessions and doubtful accounts were \$213,500 and \$271,500, respectively.

## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### Accounts Receivable – Continued

In addition, the Company assesses the current state of its billing functions on a monthly basis in order to identify any known collection or reimbursement issues to determine the impact, if any, on its price concessions and valuation allowance estimates, which involve judgment.

##### Investments

The Company evaluates its investments in a limited liability companies (“LLCs”) to determine whether the LLCs may be a variable interest entity (VIE), and if a VIE, whether the Company is the primary beneficiary. The primary beneficiary is the entity that will absorb the majority of expected losses or receive the majority of the expected returns of the VIE, or both. The obligation to absorb expected losses and the right to receive expected returns when a reporting entity is affiliated with a VIE must be based on ownership, contractual, and/or other pecuniary interests in that VIE.

If the above conditions do not apply, the Company considers whether a managing member controls the LLC. The managing member in a LLC is presumed to control that LLC. However, the presumption may be overcome if the limited members have either (1) the substantive ability to dissolve the LLC or otherwise remove the managing member without cause or (2) substantive participating rights, which provide the limited members with the ability to effectively participate in significant decisions that would be expected to be made in the ordinary course of the LLC’s business and thereby preclude the managing member from exercising unilateral control over the LLC. If these criteria are not met and the Company is the managing member, the consolidation of the LLC is required.

The Company accounted for investments in HLH Coastal Living Holdings, LLC and Quality Placement for Seniors, LLC over which it exercised significant influence, but did not control, under the equity method of accounting. Under the equity method of accounting, the investment is recorded initially at cost and subsequently adjusted for the Company’s share of net income or loss, less distributions, if any. The Company discontinues applying the equity method if the investment is reduced to zero.

On a periodic basis, management assesses whether there are any indicators that the carrying value of the Company’s investments in the unconsolidated LLCs may be impaired on a more than temporary basis. An investment is impaired only if management’s estimate of the fair-value of the investment is less than the carrying value of the investment on a more than temporary basis.

## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### Investments – Continued

To the extent impairment has occurred, the loss is measured as the excess of the carrying value of the investment over the fair-value of the investment. As of December 31, 2021, the Company did not have any investments in the unconsolidated LLCs.

##### Plant, Property, and Equipment

Plant, property, and equipment are carried on the accompanying consolidated balance sheets at cost. Depreciation is computed for financial statement purposes using the straight-line method over the estimated useful lives of the respective assets. Useful lives range from 5 to 40 years. Leasehold improvements are amortized over shorter of the life of the lease or the leasehold improvement. Additions, renewals, and betterments expected to extend the lives of the assets are capitalized, while routine repairs and maintenance are charged to expense when incurred.

##### Impairment of Long-Lived Assets

In accordance with GAAP, the Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such review indicates an asset may not be recoverable, an impairment loss is recognized for the excess of the carrying amount over the fair value of an asset to be held and used or over the fair value less cost to sell an asset to be disposed. During the years ended December 31, 2021 and 2020, there were no events or changes in circumstances indicating that the carrying amount of the long-lived assets may not be recoverable.

##### Intangible Assets

Intangible assets are carried on the accompanying consolidated balance sheets at amortized cost. These assets consisted of deferred financing, contract and software costs. Amortization is computed for financial statement purposes using the straight-line method over the terms of the respective agreements. Useful lives range from 5 to 15 years.

##### Fair Value of Financial Instruments

Substantially all of the financial instruments are carried at fair value or amounts approximating fair value. For cash and cash equivalents, accounts receivables, accounts payable, and other current assets and liabilities, the carrying amounts approximate fair value due to their short-term maturity.

## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### Fair Value of Financial Instruments – Continued

It was not practical to estimate the fair value of investments in the equity of non-traded LLCs. The investments in HLH Coastal Living Holdings, LLC and Quality Placement for Seniors, LLC were carried at the original cost and adjusted annually for the Company's proportionate share of the LLCs' income and losses, less distributions, if any. The fair value of long-term debt is determined using current applicable rates for similar instruments and approximates its carrying value.

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##### Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents, restricted cash and accounts receivable. The Company places its cash, cash equivalents and restricted cash with high-quality financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) up to \$250,000 and \$500,000, respectively. The Company has cash, cash equivalents, and restricted cash balances at December 31, 2021 and 2020 that exceed the balance insured by the FDIC and SIPC in the amount of \$12,193,400 and \$23,355,900, respectively.

With respect to patient accounts receivable, the Company performs ongoing evaluations of its customers and maintains reserves for potential credit losses. The Company does not require collateral for its services.

##### Workers' Compensation Payable

Workers' compensation payable predominantly consists of the reserves to cover the Company's estimated liabilities for its workers' compensation claims. The determination of these reserves is based upon a number of factors, including current and historical claims activity, claims payment patterns, and medical cost trends and developments in existing claims. Reserves are adjusted from time to time to reflect new claims, claim developments, or systemic changes, and such adjustments are reflected in the results of operations in the periods in which the reserves are changed.

##### Workers' Compensation Costs

As of May 1, 2019, the Company's workers' compensation coverage is provided through Liberty Mutual Insurance Corporation (the "LMIC Plan"), as a Self-Insurer Specific Excess Workers' Compensation and Employers' Liability Insurance.

## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### Workers' Compensation Costs – Continued

Under the LMIC Plan in effect through May 1, 2020, workers' compensation losses were subject to a deductible amount of \$600,000 for each occurrence, accident, loss, or claim, with no upper aggregate amount, based on an inception payroll of \$41,341,500. This represents the minimum amount of premium to be paid by the Company.

Under the LMIC Plan in effect through May 1, 2021, workers' compensation losses were subject to a deductible amount of \$600,000 for each occurrence, accident, loss, or claim, with no upper aggregate amount, based on an inception payroll of \$50,185,825. This represents the minimum amount of premium to be paid by the Company.

Under the LMIC Plan in effect through May 1, 2022, workers' compensation losses were subject to a deductible amount of \$600,000 for each occurrence, accident, loss, or claim, with no upper aggregate amount, based on an inception payroll of \$45,658,000. This represents the minimum amount of premium to be paid by the Company.

Because the Company bears the economic burden under these plans, the claims, which are the primary component of the Company's workers' compensation costs, are recorded in the period incurred. Workers compensation insurance includes ongoing healthcare and indemnity coverage whereby claims are paid over numerous years following the date of injury. Accordingly, the accrual of related incurred costs during each reporting period includes estimates calculated by applying an aggregate loss development rate to worksite employee payroll levels.

##### Management Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Income Taxes

The Company elected Subchapter S status of the Internal Revenue Code (IRC) for federal and state income tax purposes. Under the applicable statutory rules, income and losses of an S-corporation flow through to the shareholder of the Company and are not taxed at the corporate level.

## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### Income Taxes – Continued

However, the Company is responsible for California franchise tax amounting to the greater of \$800 or 1.5% of taxable income of the Subchapter S-corporation.

The Company recognizes a financial statement benefit of a tax position only after determining that the relevant tax authority would be more likely than not to sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Company believes its income tax filing positions and deductions will be sustained upon examination, and, accordingly, no reserves or related accruals for interest and penalties have been recorded as of December 31, 2021 and 2020. The Company's tax returns are no longer subject to income tax examinations by taxing authorities for years before 2018 for their federal and 2017 for their state tax filings.

##### Risks and Uncertainties

The Company is subject to risks and uncertainties as a result of the outbreak of a novel strain of coronavirus (COVID-19) that was declared to be a pandemic in March 2020. The severity of the continued impact of the COVID-19 pandemic on the Company's business will depend on a number of factors, including, but not limited to, how long the pandemic will last, whether/when recurrences of the virus may arise, what restrictions may be enacted or re-enacted, the availability and acceptance of vaccines, all of which are uncertain and cannot be predicted. As such, the extent to which the COVID-19 pandemic may materially impact the Company's financial condition, liquidity, or results of operations remains highly uncertain.

##### Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. Upon adoption of ASU 2016-02, the operating leases disclosed in Note 9 will be reported on the consolidated balance sheets as gross-up assets and liabilities. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which deferred the effective date of the new standard to annual periods beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact that this guidance will have on its consolidated balance sheets or consolidated financial statement disclosures.

# COMPASS HEALTH, INC. AND SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Recent Accounting Pronouncements – Continued

The Company reviewed all other significant newly-issued accounting pronouncements and concluded that they either are not applicable to its operations or that no material effect is expected on its consolidated financial statements as a result of future adoption.

#### Subsequent Events

The Company evaluated events occurring between December 31, 2021 and April 29, 2022, the date these consolidated financial statements were available to be issued, and determined that there were no material subsequent events that required recognition or disclosure in these consolidated financial statements.

### NOTE 3 - INVESTMENTS

The accompanying consolidated financial statements included investments in HLH Coastal Living Holdings, LLC (“HLH”) and Quality Placement for Seniors, LLC (“QPS”). The Company accounted for the investments in HLH and QPS under the equity method of accounting as the Company did not control these entities. Significant accounting policies used by these entities were similar to those used by the Company. At December 31, 2021 and 2020, Company’s ownership interest in HLH was 0.00% and 40.00%, respectively. At December 31, 2021 and 2020, Company’s ownership interest in QPS was 0.00% and 50.00%, respectively.

The following is a summary of investment activity for the years ended December 31, 2021 and 2020:

	<u>HLH</u>	<u>QPS</u>
Balance at December 31, 2019	\$ 327,100	\$ 16,800
Less: distributions	(41,500)	-
Plus: income from investment	<u>171,000</u>	<u>4,900</u>
Balance at December 31, 2020	\$ 456,600	\$ 21,700
Less: distributions & proceeds from investments	(823,800)	-
Plus: income (loss) from investment	168,400	(3,600)
Plus: gain (loss) from investment	<u>198,800</u>	<u>(18,100)</u>
Balance at December 31, 2021	\$ <u>-</u>	\$ <u>-</u>

# COMPASS HEALTH, INC. AND SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 4 - PLANT, PROPERTY, AND EQUIPMENT

At December 31, 2021 and 2020, plant, property, and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 966,000	\$ 966,000
Facility buildings	5,335,000	5,412,200
Parking structure	306,500	309,100
Fixed equipment	315,900	385,300
Leasehold improvements	3,181,900	3,269,300
Major movable	1,421,000	1,934,400
Minor movable	1,232,900	1,443,400
Furniture and fixtures	1,057,900	1,944,600
Construction-in-progress	<u>35,700</u>	<u>19,200</u>
	13,852,800	15,683,500
Less: accumulated depreciation and amortization	<u>(9,224,800)</u>	<u>(10,651,300)</u>
	<u>\$ 4,628,000</u>	<u>\$ 5,032,200</u>

Depreciation and amortization expense on plant, property and equipment for the years ended December 31, 2021 and 2020 were \$522,700 and \$641,900, respectively.

### NOTE 5 - INTANGIBLE ASSETS

At December 31, 2021 and 2020, intangible assets consisted of the following:

	<u>2021</u>	<u>2020</u>
Deferred financing costs	\$ 48,600	\$ 48,600
Other	<u>95,800</u>	<u>95,800</u>
	144,400	144,400
Less: accumulated amortization	<u>(93,200)</u>	<u>(85,800)</u>
	<u>\$ 51,200</u>	<u>\$ 58,600</u>

Amortization expense related to intangible assets for the years ended December 31, 2021 and 2020 were \$7,400 for each year.



# COMPASS HEALTH, INC. AND SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 6 - LINE OF CREDIT

The Company has a line of credit with Rabobank, which permits maximum borrowings up to \$2,000,000 and bears interest at 1-Month Libor rate plus 2.75%, with a floor of 2.75% (3.25% and 2.89%, respectively, at December 31, 2021 and 2020). The line of credit matured on May 31, 2021. During the year ended December 31, 2021, the line of credit was renewed and is set to mature on June 30, 2022. The line of credit is secured essentially by all assets of the Company and is guaranteed by a shareholder. As of December 31, 2021 and 2020, there was no amount outstanding under this line of credit.

### NOTE 7 - ACCRUED COMPENSATION AND RELATED EXPENSES

At December 31, 2021 and 2020, accrued compensation and related expenses consisted of the following:

	<u>2021</u>	<u>2020</u>
Accrued payroll	\$ 1,676,600	\$ 1,777,400
Accrued vacation, holiday, and sick	2,785,700	2,864,200
Workers' compensation payable	2,010,500	2,230,500
Other accrued liabilities	<u>211,700</u>	<u>222,200</u>
	<u>\$ 6,684,500</u>	<u>\$ 7,094,300</u>

### NOTE 8 - LONG-TERM DEBT

At December 31, 2021 and 2020, long-term debt consisted of the following:

	<u>2021</u>	<u>2020</u>
Note payable to a financial institution in the amount of \$2,100,000, secured by a first trust deed on Vineyard Hills Health Center, payable monthly in the amount of \$19,800 with interest at 5.35% per annum, due March 2024. As a result of the note payable amendment on May 20, 2020, three monthly principal payments were deferred and new monthly payments effective August 1, 2020 are \$21,000.	\$ <u>534,100</u>	\$ <u>751,600</u>
Less: current portion	<u>(229,500)</u>	<u>(217,600)</u>
	<u>\$ 304,600</u>	<u>\$ 534,000</u>

## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 8 - LONG-TERM DEBT – CONTINUED

Principal maturities of long-term debt subsequent to December 31, 2021 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 229,500
2023	242,100
2024	<u>62,500</u>
	<u>\$ 534,100</u>

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#### NOTE 9 - COMMITMENTS AND CONTINGENCIES

##### a) Lease Commitments

The Company leases its Bayside Care Center and Casa de Flores facilities in Morro Bay, California under an operating lease with related party. The lease agreement expires in July 2025 and has five option to extend for five years each. The minimum monthly rent payments total approximately \$154,900 with an annual increase of 3.25%.

The Company leases its Arroyo Grande Care Center facility in Arroyo Grande, California under an operating lease with related parties. The lease agreement expires in January 2029 and has one extension for five years. The premises are owned by shareholders of Compass Holding, Inc. The minimum monthly rent payments total approximately \$50,100, with an annual increase of 3.25%.

The Company leases its Wyndham Residence facility in Arroyo Grande, California under an operating lease with a related party. The lease agreement expires in May 2045. The minimum monthly rent payments total approximately \$42,000. It also has an operating ground lease with a related party. The ground lease agreement expires in December 2054. The minimum monthly rent payments total approximately \$4,900.

The Company leases its San Luis Transitional Care Center facility in San Luis Obispo, California under an operating lease with a related party. The lease agreement expires in August 2025 and has one option to extend until January 2033. The minimum monthly rent payments total approximately \$24,500 with an increase every two years based on consumer price index, with maximum of 5.00%.

The Company leases its Mission View Health Care Center facility in San Luis Obispo, California under an operating lease with a related party. The lease agreement expires in June 2026 and has one option to extend for ten years and two options to extend for five years each. The minimum monthly rent payments total approximately \$60,600, with an annual increase of 3.25%.

## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 9 - COMMITMENTS AND CONTINGENCIES – CONTINUED

##### a) Lease Commitments – Continued

The Company leases an office facility in Grover Beach, California under an operating lease with a related party. The lease agreement expires in February 2023. The minimum monthly rent payments total \$12,200, with an increase every year based on consumer price index, with a minimum increase of 3.00% and maximum of 5.00%.

The Company leases its San Luis Post Acute Center facility in San Luis Obispo, California under an operating lease with an unrelated party. The lease agreement expires in January 2024 and has two options to extend for five years each. The minimum monthly rent payments total approximately \$41,600, with an annual maximum increase of 6.00%.

The following is a schedule of future minimum annual rental payments required under those operating lease agreements:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 4,761,300
2023	4,749,600
2024	4,377,000
2025	2,645,200
2026	1,266,000
2027 and thereafter	<u>13,611,200</u>
	\$ <u>31,410,300</u>

For the years ended December 31, 2021 and 2020, the Company incurred rent expense of \$4,616,700 and \$3,650,100, respectively.

##### b) Litigation

During the normal course of business, the Company is involved in litigations. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Company's future consolidated financial position or result of its operations.

##### c) Guarantor

The Company is a guarantor for three loans on real property owned by related parties. At December 31, 2021, the contingent liabilities guaranteed by these three loans consisted of the following:

**COMPASS HEALTH, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 9 - COMMITMENTS AND CONTINGENCIES – CONTINUED**

d) Guarantor – Continued

	<u>Guarantor Value</u>
Real property located at 404 Front St., Avila Beach, CA owned by Playa Dulce, LLC and operated by Old Custom House, Inc.	\$ 4,211,800
Real property located at 1575 Bishop Street, San Luis Obispo, CA owned by Playa Dulce, LLC and operated by the Company.	\$ 630,900
Real property located at 1405 Teresa Drive, Morro Bay, CA owned by 1405 Teresa Drive, LLC and operated by the Company.	\$ 14,142,000

**NOTE 10 - 401(k) PROFIT SHARING PLAN**

The Company has adopted a 401(k) profit sharing plan (the “Plan”) covering all employees who are at least eighteen years of age and have completed one year of employment. Participating employees may elect to defer up to 19% of their compensation, subject to certain limitations. The Company may make matching contributions equal to a discretionary percentage of the participant’s elective deferral. For the years ended December 31, 2021 and 2020, the Company’s matching contribution to the Plan amounted to \$162,200 and \$174,200, respectively.

**NOTE 11 - RELATED PARTY TRANSACTIONS**

The Company has eight operating lease agreements with related parties (See also Note 9). For the years ended December 31, 2021 and 2020, the Company recorded approximately \$3,919,500 and \$2,823,100, respectively, in rent expense. There was no amount due to related parties at December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the Company had advances of \$1,458,000 and \$1,599,200 due from related parties, net. The advances are unsecured, non-interest bearing and due on demand.

Amounts due from related parties, net are as follows as of December 31:

	<u>2021</u>	<u>2020</u>
The Old Custom House Inc.	\$ 1,521,100	\$ 1,521,100
Playa Dulce LLC	7,000	3,700
Various	<u>(70,100)</u>	<u>74,400</u>
	<u>\$ 1,458,000</u>	<u>\$ 1,599,200</u>

## COMPASS HEALTH, INC. AND SUBSIDIARY

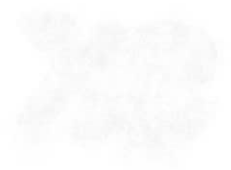
### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 12 - MINORITY INTEREST PURCHASE

On August 31, 2021, Compass Health, Inc. purchased the remaining 50% interest in the subsidiary, Coastal, LLC for \$6,900,000. The purchase price was recorded as follows:

Decrease in minority interest	\$ 3,566,500
Decrease in Compass Health, Inc.'s paid-in-capital	1,979,900
Decrease in Compass Health, Inc.'s retained earnings	<u>1,353,600</u>
	<u>\$ 6,900,000</u>

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SETO KIRKORIAN

CHIEF FINANCIAL OFFICER

## COMPASS HEALTH, INC. AND SUBSIDIARY

### SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021

The following information is presented for the period ended December 31, 2021, and is not intended to be read in isolation from the other information contained in this report.

The following information is presented for the period ended December 31, 2021, and is not intended to be read in isolation from the other information contained in this report.

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The following information is presented for the period ended December 31, 2021, and is not intended to be read in isolation from the other information contained in this report.



## SETO KIRAKOSIAN

Accountancy, Corp

### Independent Auditors' Report on Supplementary Information

To the Board of Directors of  
Compass Health, Inc. and Subsidiary  
Grover Beach, California

We have audited the consolidated financial statements of Compass Health, Inc. and Subsidiary (the "Company"), as of and for the years ended December 31, 2021 and 2020, and our report thereon dated April 29, 2022, which expressed an unmodified opinion on those financial statements, appears on page 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on page 24 to 26 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. The supplementary information on page 27 to 48 has been prepared for filing with the State of California, Department of Social Services, in accordance with Section 1792 of the California Health and Safety Code, and is presented for purpose of additional analysis and is not a required part of the consolidated financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole and presents fairly in all material respects the continuing care reserve requirements of the Company at December 31, 2021, in conformity with the report preparation provisions of the California Health and Safety Code Section 1792.

A handwritten signature in dark ink, appearing to read 'Seto K', with a stylized flourish at the end.

April 29, 2022

COMPASS HEALTH, INC. AND SUBSIDIARY  
SUPPLEMENTARY INFORMATION  
CONSOLIDATING BALANCE SHEETS

DECEMBER 31, 2021

SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

	AGCC	BCC	CDF	CHI	DCC	MVHC	SLPA	SLTC	TPY	VRHC	WYND	Eliminations	Total
<b>CURRENT ASSETS:</b>													
Cash and cash equivalents	\$ (103,700)	\$ 40,800	\$ (2,400)	\$ 9,395,300	\$ 1,024,000	\$ 16,400	\$ (168,400)	\$ (2,400)	\$ (600)	\$ 1,293,600	\$ 285,900	\$ -	\$ 11,778,500
Restricted cash	-	187,900	-	-	-	-	-	-	-	-	-	-	187,900
Accounts receivable, net	1,666,500	1,363,500	200	112,600	861,400	1,195,600	1,195,500	(1,200)	-	814,400	12,700	-	7,225,200
Supplies	-	-	-	-	-	-	-	-	-	-	3,900	-	3,900
Prepaid expenses	157,300	130,800	19,400	36,500	87,800	47,800	192,700	33,200	-	140,000	5,200	-	850,700
Due from related parties, net	-	29,228,800	(29,228,800)	1,457,900	(2,255,000)	-	-	-	-	2,259,100	-	-	1,458,000
Total current assets	1,720,100	30,951,800	(29,211,600)	11,002,300	(285,800)	1,259,800	1,223,800	29,600	(600)	4,507,100	307,700	-	21,504,200
<b>INVESTMENT IN SUBSIDIARY</b>	-	-	-	4,160,100	-	-	-	-	-	-	-	(4,160,100)	-
<b>PLANT, PROPERTY, AND EQUIPMENT, net</b>	141,400	257,200	856,300	36,400	1,021,800	-	283,500	88,000	-	1,943,400	-	-	4,028,000
<b>INTANGIBLE ASSETS, net</b>	-	-	-	-	-	-	42,800	-	-	8,400	-	-	51,200
<b>DEPOSITS AND OTHER ASSETS</b>	18,000	-	-	13,100	-	33,900	-	-	-	-	-	-	65,000
Total assets	\$ 1,879,500	\$ 31,209,000	\$ (28,355,300)	\$ 15,211,900	\$ 736,000	\$ 1,293,700	\$ 1,550,100	\$ 117,600	\$ (600)	\$ 6,458,900	\$ 307,700	\$ (4,160,100)	\$ 26,248,400
<b>CURRENT LIABILITIES:</b>													
Accounts payable	\$ 247,100	\$ 295,600	\$ 199,600	\$ 126,600	\$ 165,400	\$ 217,800	\$ 147,500	\$ 23,700	\$ -	\$ 224,600	\$ 54,700	\$ -	\$ 1,702,600
Accrued compensation and related expenses	1,183,900	784,300	52,600	1,942,700	307,700	711,200	607,100	-	550,700	399,400	144,900	-	6,684,500
Income taxes payable	-	-	-	192,800	-	-	-	-	-	-	-	-	192,800
Security deposits and other liabilities	1,260,600	317,800	20,900	1,748,900	302,500	680,400	(538,500)	1,003,600	(8,600)	1,101,200	14,800	-	5,883,600
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	229,500	-	-	229,500
Total current liabilities	2,691,600	1,397,700	273,100	4,011,000	775,600	1,609,400	196,100	1,027,300	542,100	1,954,700	214,400	-	14,693,000
<b>LONG-TERM DEBT, net of current portion</b>	-	-	-	-	-	-	-	-	-	304,600	-	-	304,600
Total liabilities	2,691,600	1,397,700	273,100	4,011,000	775,600	1,609,400	196,100	1,027,300	542,100	2,259,300	214,400	-	14,997,600
<b>COMMITMENTS AND CONTINGENCIES</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>SHAREHOLDER'S EQUITY:</b>													
Controlling interests:													
Common stock, no par value; 1,000 shares authorized;	900	30,000	-	1,000	-	-	-	-	-	-	-	-	31,900
1,000 shares issued and outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid-in-capital	(813,000)	29,781,300	(28,628,400)	11,199,900	(39,600)	(315,700)	1,354,000	(909,700)	(542,700)	4,199,600	93,300	(4,160,100)	11,218,900
Retained earnings	(812,100)	29,811,300	(28,628,400)	11,200,900	(39,600)	(315,700)	1,354,000	(909,700)	(542,700)	4,199,600	93,300	(4,160,100)	11,250,800
Minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholder's equity	(812,100)	29,811,300	(28,628,400)	11,200,900	(39,600)	(315,700)	1,354,000	(909,700)	(542,700)	4,199,600	93,300	(4,160,100)	11,250,800
Total liabilities and shareholder's equity	\$ 1,879,500	\$ 31,209,000	\$ (28,355,300)	\$ 15,211,900	\$ 736,000	\$ 1,293,700	\$ 1,550,100	\$ 117,600	\$ (600)	\$ 6,458,900	\$ 307,700	\$ (4,160,100)	\$ 26,248,400



COMPASS HEALTH, INC. AND SUBSIDIARY

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENTS OF OPERATIONS AND SHAREHOLDER'S EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

	AGCC	BCC	CDF	CHI	DCC	MYHC	SLPA	SLTC	TPV	VHHC	WYND	Eliminations	Total
<b>REVENUES:</b>													
Net patient service revenue	\$ 10,518,100	\$ 12,107,100	\$ -	\$ -	\$ 7,104,600	\$ 12,708,300	\$ 8,611,300	\$ -	\$ 4,395,500	\$ 6,766,300	\$ -	\$ -	\$ 62,211,200
Net residential board and care revenue	-	-	3,660,000	800	-	-	-	-	-	-	2,970,300	-	6,631,100
Net other revenue	12,500	144,700	-	3,023,100	53,100	141,700	14,700	-	-	44,600	(100)	(664,600)	2,769,700
Management fees	(615,300)	(662,700)	(183,000)	3,985,600	(486,900)	(708,700)	(490,700)	-	(401,000)	(369,400)	(147,900)	-	-
Total revenues	9,915,300	11,589,100	3,477,000	7,009,500	6,750,800	12,141,300	8,135,300	-	3,994,500	6,441,500	2,822,300	(664,600)	71,612,000
<b>EXPENSES:</b>													
Nursing services	4,283,100	5,142,200	990,000	129,200	2,749,900	5,738,900	3,690,600	2,300	1,100	3,145,100	749,900	-	26,622,300
Plant operations and maintenance	316,100	685,300	452,700	45,800	259,100	455,300	474,500	92,400	-	376,000	222,400	-	3,379,600
Housekeeping and laundry	375,900	536,100	145,500	200	277,500	483,300	367,800	-	-	409,600	163,800	-	2,761,700
Dietary	902,000	1,084,700	649,300	8,600	538,700	947,300	772,400	-	-	691,600	547,400	-	6,142,000
Social services and activities	282,100	221,600	183,200	-	133,300	250,800	129,800	-	-	173,000	131,200	-	1,305,000
Education	69,700	108,400	-	-	70,900	116,300	40,600	-	-	52,700	-	-	458,600
General and administrative	2,202,000	3,407,700	1,052,200	3,072,900	1,344,400	2,888,100	2,221,300	410,600	322,700	1,925,900	1,013,500	-	19,861,300
Interest expense	100	-	-	-	-	-	-	-	-	35,100	-	-	35,200
Pharmacy	293,200	194,500	-	-	152,500	346,100	190,200	-	-	88,000	-	-	1,264,500
Laboratory	71,300	64,800	-	-	29,400	44,400	51,600	200	-	27,300	-	-	289,000
X-ray	34,700	23,500	-	-	20,000	39,300	26,100	-	-	15,100	-	-	158,900
Total expenses	8,830,200	11,468,800	3,472,900	3,256,700	5,575,700	11,310,000	7,964,900	505,300	323,800	6,939,400	2,830,200	-	62,478,100
INCOME BEFORE MINORITY INTEREST AND INCOME TAX PROVISION	1,085,100	120,300	4,100	3,752,800	1,175,100	831,300	170,400	(505,300)	3,670,700	(497,900)	(7,900)	(664,600)	9,133,900
INCOME ATTRIBUTED TO THE MINORITY INTEREST	-	-	-	(478,500)	-	-	-	-	-	-	-	-	(478,500)
INCOME BEFORE INCOME TAX PROVISION	1,085,100	120,300	4,100	3,274,300	1,175,100	831,300	170,400	(505,300)	3,670,700	(497,900)	(7,900)	(664,600)	8,655,400
INCOME TAX PROVISION	-	-	-	(156,800)	-	-	-	-	-	(12,600)	-	-	(169,400)
NET INCOME	1,085,100	120,300	4,100	3,117,500	1,175,100	831,300	170,400	(505,300)	3,670,700	(510,500)	(7,900)	(664,600)	8,486,000
DISTRIBUTIONS TO SHAREHOLDER	-	-	-	(12,295,800)	-	-	-	-	-	-	-	-	(12,295,800)
MINORITY INTEREST PURCHASE	-	-	-	(1,353,600)	-	-	-	-	-	-	-	-	(1,353,600)
INTERCOMPANY TRANSFERS	(559,000)	2,775,200	(1,948,600)	3,235,600	(2,516,600)	(464,500)	14,800	567,800	(3,630,900)	3,903,500	9,400	(1,356,700)	-
RETAINED EARNINGS, beginning of year	(1,339,100)	\$ 26,885,800	\$ (26,683,900)	\$ 18,496,200	\$ 1,331,900	\$ (682,500)	\$ 1,168,800	\$ (972,000)	\$ (582,500)	\$ 806,600	\$ 91,800	\$ (2,138,800)	\$ 16,382,300
RETAINED EARNINGS, end of year	\$ (813,000)	\$ 29,781,300	\$ (28,628,400)	\$ 11,199,900	\$ (39,600)	\$ (315,700)	\$ 1,354,000	\$ (909,700)	\$ (542,700)	\$ 4,199,600	\$ 93,300	\$ (4,160,100)	\$ 11,218,900

**COMPASS HEALTH, INC. AND SUBSIDIARY**  
**SUPPLEMENTARY INFORMATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS – DIRECT METHOD**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

**CASH FLOW FROM OPERATING ACTIVITIES:**

Cash received from patients and third-party payers	\$ 71,612,700
Other cash received	2,574,600
Cash paid for operating expenses	(29,671,800)
Cash paid to employees	(36,758,100)
Interest received	30,300
Interest paid	(35,200)
Income taxes paid	<u>(185,100)</u>

Net cash provided by operating activities	<u>7,567,400</u>
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**CASH FLOW FROM INVESTING ACTIVITIES:**

Purchase of plant, property, and equipment	(118,500)
Proceeds from investments, net	<u>823,800</u>

Net cash provided by investing activities	<u>705,300</u>
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**CASH FLOW FROM FINANCING ACTIVITIES:**

Principal payments on long-term debt	(217,400)
Minority interest purchase	(6,900,000)
Distributions to shareholder	<u>(12,295,800)</u>

Net cash (used in) financing activities	<u>(19,413,200)</u>
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Net change in cash, cash equivalents, and restricted cash	(11,140,500)
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Cash, cash equivalents, and restricted cash at beginning of year	<u>23,106,900</u>
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Cash, cash equivalents, and restricted cash at end of year	<u>\$ 11,966,400</u>
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**COMPASS HEALTH, INC. AND SUBSIDIARY**

**SUPPLEMENTARY INFORMATION**

**BALANCE SHEETS**

**COMBINING ARROYO GRANDE CARE CENTER AND WYNDHAM RESIDENCE**

**DECEMBER 31, 2021**

**SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

	<u>AGCC</u>	<u>WYND</u>	<u>Total</u>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ (103,700)	\$ 285,900	\$ 182,200
Restricted cash	-	-	-
Accounts receivable, net	1,666,500	12,700	1,679,200
Supplies	-	3,900	3,900
Prepaid expenses	157,300	5,200	162,500
Due from related parties, net	-	-	-
<b>Total current assets</b>	<b>1,720,100</b>	<b>307,700</b>	<b>2,027,800</b>
<b>PLANT, PROPERTY, AND EQUIPMENT, net</b>	<b>141,400</b>	<b>-</b>	<b>141,400</b>
<b>INTANGIBLE ASSETS, net</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEPOSITS AND OTHER ASSETS</b>	<b>18,000</b>	<b>-</b>	<b>18,000</b>
<b>Total assets</b>	<b>\$ 1,879,500</b>	<b>\$ 307,700</b>	<b>\$ 2,187,200</b>
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 247,100	\$ 54,700	\$ 301,800
Accrued compensation and related expenses	1,183,900	144,900	1,328,800
Income taxes payable	-	-	-
Security deposits and other liabilities	1,260,600	14,800	1,275,400
Current portion of long-term debt	-	-	-
<b>Total current liabilities</b>	<b>2,691,600</b>	<b>214,400</b>	<b>2,906,000</b>
<b>LONG-TERM DEBT, net of current portion</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>2,691,600</b>	<b>214,400</b>	<b>2,906,000</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>SHAREHOLDER'S EQUITY:</b>			
Controlling interests:			
Common stock, no par value	900	-	900
Paid-in-capital	-	-	-
Retained earnings (deficiency)	(813,000)	93,300	(719,700)
	(812,100)	93,300	(718,800)
Minority interest	-	-	-
<b>Total shareholder's equity (deficiency)</b>	<b>(812,100)</b>	<b>93,300</b>	<b>(718,800)</b>
<b>Total liabilities and shareholder's equity (deficiency)</b>	<b>\$ 1,879,500</b>	<b>\$ 307,700</b>	<b>\$ 2,187,200</b>

**COMPASS HEALTH, INC. AND SUBSIDIARY**

**SUPPLEMENTARY INFORMATION**

**STATEMENTS OF OPERATIONS AND SHAREHOLDER'S EQUITY (DEFICIENCY)  
COMBINING ARROYO GRANDE CARE CENTER AND WYNDHAM RESIDENCE**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

	<u>AGCC</u>	<u>WYND</u>	<u>Total</u>
<b>REVENUES:</b>			
Net patient service revenue	\$ 10,518,100	\$ -	\$ 10,518,100
Net residential board and care revenue	-	2,970,300	2,970,300
Net other revenue	12,500	(100)	12,400
Management fees	<u>(615,300)</u>	<u>(147,900)</u>	<u>(763,200)</u>
 Total revenues	 <u>9,915,300</u>	 <u>2,822,300</u>	 <u>12,737,600</u>
<b>EXPENSES:</b>			
Nursing services	4,283,100	749,900	5,033,000
Plant operations and maintenance	316,100	222,400	538,500
Housekeeping and laundry	375,900	165,800	541,700
Dietary	902,000	547,400	1,449,400
Social services and activities	282,100	131,200	413,300
Education	69,700	-	69,700
General and administrative	2,202,000	1,013,500	3,215,500
Interest expense	100	-	100
Pharmacy	293,200	-	293,200
Laboratory	71,300	-	71,300
X-ray	<u>34,700</u>	<u>-</u>	<u>34,700</u>
 Total expenses	 <u>8,830,200</u>	 <u>2,830,200</u>	 <u>11,660,400</u>
 INCOME (LOSS) BEFORE MINORITY INTEREST AND INCOME TAX PROVISION	 1,085,100	 (7,900)	 1,077,200
 INCOME ATTRIBUTED TO THE MINORITY INTEREST	 <u>-</u>	 <u>-</u>	 <u>-</u>
 INCOME (LOSS) BEFORE INCOME TAX PROVISION	 1,085,100	 (7,900)	 1,077,200
 INCOME TAX PROVISION	 <u>-</u>	 <u>-</u>	 <u>-</u>
 NET INCOME (LOSS)	 1,085,100	 (7,900)	 1,077,200
 DISTRIBUTIONS TO SHAREHOLDER	 -	 -	 -
 MINORITY INTEREST PURCHASE	 -	 -	 -
 INTERCOMPANY TRANSFERS	 (559,000)	 9,400	 (549,600)
 RETAINED EARNINGS (DEFICIENCY), beginning of year	 <u>(1,339,100)</u>	 <u>\$ 91,800</u>	 <u>\$ (1,247,300)</u>
 RETAINED EARNINGS (DEFICIENCY), end of year	 <u>\$ (813,000)</u>	 <u>\$ 93,300</u>	 <u>\$ (719,700)</u>

**COMPASS HEALTH, INC. AND SUBSIDIARY**  
**SUPPLEMENTARY INFORMATION**  
**STATEMENT OF CASH FLOWS – DIRECT METHOD**  
**COMBINED ARROYO GRANDE CARE CENTER AND WYNDHAM RESIDENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

**CASH FLOW FROM OPERATING ACTIVITIES:**

Cash received from patients and third-party payers	\$ 14,169,400
Other cash received	12,500
Cash paid for operating expenses	(7,260,600)
Cash paid to employees	(6,163,600)
Interest received	100
Interest paid	<u>(100)</u>

Net cash provided by operating activities	<u>757,700</u>
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**CASH FLOW FROM FINANCING ACTIVITIES:**

Minority interest purchase	(209,200)
Intercompany transfers	<u>(549,600)</u>

Net cash (used in) financing activities	<u>(758,800)</u>
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Net change in cash, cash equivalents, and restricted cash	(1,100)
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Cash, cash equivalents, and restricted cash at beginning of year	<u>183,300</u>
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Cash, cash equivalents, and restricted cash at end of year	<u>\$ 182,200</u>
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**COMPASS HEALTH, INC. AND SUBSIDIARY**

**SUPPLEMENTARY INFORMATION**

**BALANCE SHEETS  
COMBINING BAYSIDE CARE CENTER AND CASA DE FLORES**

**DECEMBER 31, 2021**

**SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

	<u>BCC</u>	<u>CDF</u>	<u>Total</u>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 40,800	\$ (2,400)	\$ 38,400
Restricted cash	187,900	-	187,900
Accounts receivable, net	1,363,500	200	1,363,700
Supplies	-	-	-
Prepaid expenses	130,800	19,400	150,200
Due from related parties, net	<u>29,228,800</u>	<u>(29,228,800)</u>	<u>-</u>
Total current assets	30,951,800	(29,211,600)	1,740,200
PLANT, PROPERTY, AND EQUIPMENT, net	257,200	856,300	1,113,500
INTANGIBLE ASSETS, net	-	-	-
DEPOSITS AND OTHER ASSETS	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 31,209,000</u>	<u>\$ (28,355,300)</u>	<u>\$ 2,853,700</u>
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 295,600	\$ 199,600	\$ 495,200
Accrued compensation and related expenses	784,300	52,600	836,900
Income taxes payable	-	-	-
Security deposits and other liabilities	317,800	20,900	338,700
Current portion of long-term debt	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	1,397,700	273,100	1,670,800
LONG-TERM DEBT, net of current portion	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	1,397,700	273,100	1,670,800
COMMITMENTS AND CONTINGENCIES	-	-	-
<b>SHAREHOLDER'S EQUITY:</b>			
Controlling interests:			
Common stock, no par value	30,000	-	30,000
Paid-in-capital	-	-	-
Retained earnings (deficiency)	<u>29,781,300</u>	<u>(28,628,400)</u>	<u>1,152,900</u>
	29,811,300	(28,628,400)	1,182,900
Minority interest	<u>-</u>	<u>-</u>	<u>-</u>
Total shareholder's equity (deficiency)	<u>29,811,300</u>	<u>(28,628,400)</u>	<u>1,182,900</u>
Total liabilities and shareholder's equity (deficiency)	<u>\$ 31,209,000</u>	<u>\$ (28,355,300)</u>	<u>\$ 2,853,700</u>

**COMPASS HEALTH, INC. AND SUBSIDIARY**

**SUPPLEMENTARY INFORMATION**

**STATEMENTS OF OPERATIONS AND SHAREHOLDER'S EQUITY (DEFICIENCY)  
COMBINING BAYSIDE CARE CENTER AND CASA DE FLORES**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

	<u>BCC</u>	<u>CDF</u>	<u>Total</u>
<b>REVENUES:</b>			
Net patient service revenue	\$ 12,107,100	\$ -	\$ 12,107,100
Net residential board and care revenue	-	3,660,000	3,660,000
Net other revenue	144,700	-	144,700
Management fees	<u>(662,700)</u>	<u>(183,000)</u>	<u>(845,700)</u>
 Total revenues	 <u>11,589,100</u>	 <u>3,477,000</u>	 <u>15,066,100</u>
 <b>EXPENSES:</b>			
Nursing services	5,142,200	990,000	6,132,200
Plant operations and maintenance	685,300	452,700	1,138,000
Housekeeping and laundry	536,100	145,500	681,600
Dietary	1,084,700	649,300	1,734,000
Social services and activities	221,600	183,200	404,800
Education	108,400	-	108,400
General and administrative	3,407,700	1,052,200	4,459,900
Interest expense	-	-	-
Pharmacy	194,500	-	194,500
Laboratory	64,800	-	64,800
X-ray	<u>23,500</u>	<u>-</u>	<u>23,500</u>
 Total expenses	 <u>11,468,800</u>	 <u>3,472,900</u>	 <u>14,941,700</u>
 INCOME BEFORE MINORITY INTEREST AND INCOME TAX PROVISION	 120,300	 4,100	 124,400
 INCOME ATTRIBUTED TO THE MINORITY INTEREST	 <u>-</u>	 <u>-</u>	 <u>-</u>
 INCOME BEFORE INCOME TAX PROVISION	 120,300	 4,100	 124,400
 INCOME TAX PROVISION	 <u>-</u>	 <u>-</u>	 <u>-</u>
 NET INCOME	 120,300	 4,100	 124,400
 DISTRIBUTIONS TO SHAREHOLDER	 -	 -	 -
 MINORITY INTEREST PURCHASE	 -	 -	 -
 INTERCOMPANY TRANSFERS	 2,775,200	 (1,948,600)	 826,600
 RETAINED EARNINGS (DEFICIENCY), beginning of year	 <u>\$ 26,885,800</u>	 <u>\$ (26,683,900)</u>	 <u>\$ 201,900</u>
 RETAINED EARNINGS (DEFICIENCY), end of year	 <u><u>\$ 29,781,300</u></u>	 <u><u>\$ (28,628,400)</u></u>	 <u><u>\$ 1,152,900</u></u>

**COMPASS HEALTH, INC. AND SUBSIDIARY**  
**SUPPLEMENTARY INFORMATION**  
**STATEMENT OF CASH FLOWS – DIRECT METHOD**  
**COMBINED BAYSIDE CARE CENTER AND CASA DE FLORES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

**CASH FLOW FROM OPERATING ACTIVITIES:**

Cash received from patients and third-party payers	\$ 15,908,000
Other cash received	144,300
Cash paid for operating expenses	(9,138,600)
Cash paid to employees	(7,485,800)
Interest received	<u>400</u>

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Net cash (used in) operating activities	<u>(571,700)</u>
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**CASH FLOW FROM INVESTING ACTIVITIES:**

Purchase of plant, property, and equipment	<u>(12,800)</u>
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Net cash (used in) investing activities	<u>(12,800)</u>
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**CASH FLOW FROM FINANCING ACTIVITIES:**

Intercompany transfers	<u>826,600</u>
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Net cash provided by financing activities	<u>826,600</u>
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Net change in cash, cash equivalents, and restricted cash	242,100
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Cash, cash equivalents, and restricted cash at beginning of year	<u>(15,800)</u>
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Cash, cash equivalents, and restricted cash at end of year	\$ <u>226,300</u>
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**FORM 1-1**  
**RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	76
[2]	Number at end of fiscal year	87
[3]	Total Lines 1 and 2	163
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	81.5
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	187
[7]	Number at end of fiscal year	175
[8]	Total Lines 6 and 7	362
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	181
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.45

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

<u>Line</u>	<u>TOTAL</u>
[1] Total Operating Expenses (including depreciation and debt service - interest only)	\$14,941,700
[a] Depreciation	\$174,399
[b] Debt Service (Interest Only)	\$0
[2] Subtotal (add Line 1a and 1b)	\$174,399
[3] Subtract Line 2 from Line 1 and enter result.	\$14,767,301
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	45%
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$6,649,365
	x .001
[6] <b>Total Amount Due</b> (multiply Line 5 by .001)	<b>\$6,649</b>

**PROVIDER:** Compass Health, Inc.

**COMMUNIT** Bayside Care Center and Casa de Flores

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

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	47
[2]	Number at end of fiscal year	53
[3]	Total Lines 1 and 2	100
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	50
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	98
[7]	Number at end of fiscal year	139
[8]	Total Lines 6 and 7	237
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	118.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.42

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

Line		TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$11,660,400
[a]	Depreciation	\$42,755
[b]	Debt Service (Interest Only)	\$0
[2]	Subtotal (add Line 1a and 1b)	\$42,755
[3]	Subtract Line 2 from Line 1 and enter result.	\$11,617,645
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	42%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$4,901,960
		x .001
[6]	<b>Total Amount Due</b> (multiply Line 5 by .001)	<b>\$4,902</b>

**PROVIDER** Compass Health, Inc.

**COMMUNITY** Arroyo Grande Care Center and Wyndham Residence

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	03/01/12	\$217,559	\$34,911	\$0	\$252,471
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
		<b>TOTAL:</b>	\$34,911	\$0	\$252,471

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

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

**PROVIDER:** Compass Health, Inc.

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1	N/A				\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>		\$0	\$0	0	\$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:** Compass Health, Inc.

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

<b>Line</b>		<b>TOTAL</b>
1	Total from Form 5-1 bottom of Column (e)	<u>\$252,471</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$0</u>
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	<u>\$3,186,142</u>
4	<b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<u><u>\$3,438,613</u></u>

**PROVIDER:** Compass Health, Inc.

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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$14,941,700</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$0</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$0</u>	
	c. Depreciation	<u>\$174,399</u>	
	d. Amortization	<u>\$0</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$12,595,781</u>	
	f. Extraordinary expenses approved by the Department	<u>\$0</u>	
3	Total Deductions		<u>\$12,770,180</u>
4	Net Operating Expenses		<u>\$2,171,520</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$5,949</u>
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.		<u><u>\$446,175</u></u>

**PROVIDER:** Compass Health, Inc.

**COMMUNITY:** Bayside Care Center and Casa de Flores

**FORM 5-4**

**CALCULATION OF NET OPERATING EXPENSES**

<b>Line</b>		<b>Amounts</b>	<b>TOTAL</b>
1	Total operating expenses from financial statements		<u>\$11,660,400</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$0</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$0</u>	
	c. Depreciation	<u>\$42,755</u>	
	d. Amortization	<u>\$0</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$11,954,478</u>	
	f. Extraordinary expenses approved by the Department	<u>\$0</u>	
3	Total Deductions		<u>\$11,997,233</u>
4	Net Operating Expenses		<u>-\$336,833</u>
5	Divide Line 4 by 365 and enter the result.		<u>-\$923</u>
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.		<u><u>-\$69,225</u></u>

**PROVIDER:** Compass Health, Inc.

**COMMUNITY:** Arroyo Grande Care Center and Wyndham Residence



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

Provider Name: Compass Health, Inc.

Fiscal Year Ended: 12/31/2021

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2021 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	<u>\$3,438,613</u>
[2] Operating Expense Reserve Amount	<u>\$376,950</u>
[3] Total Liquid Reserve Amount:	<u>\$3,815,563</u>

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

<u>Qualifying Asset Description</u>	<u>Amount</u> <u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$11,401,550</u>	<u>\$376,950</u>
[5] Investment Securities		
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other:		
(describe qualifying asset)		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	<u>\$11,401,550</u>	[12] <u>\$376,950</u>
Reserve Obligation Amount: [13]	<u>\$3,438,613</u>	[14] <u>\$376,950</u>
Surplus/(Deficiency): [15]	<u>\$7,962,937</u>	[16] <u>\$0</u>

Signature:

(Authorized Representative)

Date:

4/27/2022

Controller

(Title)

Provider Name:	<u>COMPASS HEALTH, INC.</u>
Fiscal Year End:	<u>12/31/2021</u>

**DSS - Reserve Report - Part of Form 5-5**  
**Description of Reserves under SB 1212**

**Total Qualifying Assets as Filed:**

Cash and Cash Equivalents	\$11,778,500
Line of Credit	
Other	\$0
Less Funds Reserved for Specific Designations	\$0
Total Qualifying Assets as Filed	<u><u>\$11,778,500</u></u>

---

Provider:	<u>COMPASS HEALTH, INC.</u>
Community:	<u>BAYSIDE CARE CENTER &amp; CASA DE FLORES</u>

Per Capita Cost of Operations Operating Expenses (Form 5-4 (1) line #1)	14,941,700
--	------------

Mean # of All Residents (Form 1-1 line #10)	181
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Per Capita Cost of Operations	<u><u>82,551</u></u>
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\*\* No funds have been set aside for capital improvements or any other reserves outside of the CCRC Liquid Reserve Requirement

Provider Name: COMPASS HEALTH, INC.  
Fiscal Year End: 12/31/2021

**DSS - Reserve Report - Part of Form 5-5**  
**Description of Reserves under SB 1212**

**Total Qualifying Assets as Filed:**

Cash and Cash Equivalents	\$11,778,500
Line of Credit	
Other	\$0
Less Funds Reserved for Specific Designations	\$0
Total Qualifying Assets as Filed	<u><u>\$11,778,500</u></u>

---

Provider: COMPASS HEALTH, INC.  
ARROYO GRANDE CARE CENTER &  
Community: WYNDHAM RESIDENCE

Per Capita Cost of Operations Operating  
Expenses (Form 5-4 (2) line #1) 11,660,400

Mean # of All Residents (Form 1-1 (2) line #10) 118.5

Per Capita Cost of Operations 98,400

\*\* No funds have been set aside for capital improvements or any other reserves outside of the CCRC Liquid Reserve Requirement

### Reconciliation of Revenue to Consolidated Statement of Cash Flows

11,954,477.86	AGCC/WYD non-CCRC Revenue (A7 + A26)
	Ties to Form 5-4 (2) line 2 ( e )
112,899.12	AGCC CCRC Revenue
11,827,704.86	AGCC Non-CCRC Revenue
11,940,603.98	AGCC Room & Board Revenue
11,940,603.98	AGCC Room & Board
685,763.02	AGCC Other Rev + Contractual Adj.
12,626,367.00	AGCC Revenue
2,851,454.00	WYN CCRC Revenue
126,773.00	Non-CCRC
2,978,227.00	WYND Room & Board Revenue

12,595,781.34	BCC/CDf non-CCRC Revenue (H19 + H26)
Ties to Form 5-4 (1) line 2 ( e )	
662,831.00	BCC CCRC Revenue
12,539,665.34	BCC Non-CCRC Revenue
13,202,496.34	BCC Room & Board Revenue
13,202,496.34	BCC Room & Board
318,234.66	BCC Other Rev + Contractual Adj.
13,520,731.00	BCC Revenue
3,602,763.00	CCRC
56,116.00	Non-CCRC
3,658,879.00	CDf Room & Board Revenue

13,520,731.00	BCC Revenue
12,626,367.00	AGCC Revenue
40,564,646.00	Other SNFS
66,711,744.00	SNF Revenues
3,658,879.00	CDF Revenue
2,978,227.00	WYND Revenue
775.00	Corp. Other Income
6,637,881.00	RESIDENTIAL & BOARD & CARE

66,711,744.00	SNF Revenues
6,637,881.00	RCFE Revenues
(3,628,205.00)	Less Therapy Revenues
69,721,420.00	2021 Revenues

69,721,420.00	2021 SNF + RCFE Revenues + Therapy Revenues
9,116,480.00	2020 Ending AR
(7,225,199.00)	Less 2021 AR
<b>71,612,700.00</b>	<b>Ties to Cash Received from patients and third-party payers from Statement of Cash Flows - Direct Method (page 26 audited FS)</b>

COMPASS HEALTH, INC.  
BAYSIDE CARE CENTER & CASA DE FLORES

Reconciliation to Audited Financial Statements

Form 1-2, Line 1a - Reconciliation

Account Detail	BCC	CDF	
SNF - General & Admin	1,774,731		
RCF General & Admin		389,210	
SNF Depreciation & Amortization	75,379		
RCF Depreciation & Amortization		99,020	
SNF - Leases & Rentals	1,361,954		
RCF - Leases & Rentals		450,659	
SNF - Property Taxes	86,592		
RCF - Property Taxes		66,859	
SNF - Property Insurance	76,247		
RCF - Property Insurance		46,395	
SNF - Misc	-		
RCF - Misc		101	
Patient Supplies	3,009		
Priv Other Ancillaries 7300.45	6,723		
Mcare Other Ancillaries 7300.46	-		
Mcal Other Ancillaries 7300.47	23,017		
Total General & Administrative Costs	3,407,652	1,052,244	Ties to Audited FS pg. 24 line 12 under BCC & CDF respectively
From Audited FS pg 24			
SNF Depreciation & Amortization	75,379		
RCF Depreciation & Amortization		99,020	
Total Depreciation from FS	174,399		Ties to Form 1-2 Line 1a.

Form 5-1 Reconciliation

Account Detail	VHHC	
Principal Paid During Fiscal Year	217,559	Form 5-1 Column 1b \$217,559 ties the current portion under 2020 on Audited FS, pg. 18, Note 8- Long Term Debt.
Interest Expense related to long term debt - VHHC	34,911	Form 5-1 Column 1c
Accounts Payable Finance Charges - VHHC		
	34,911	Ties to Audited FS pg. 24, line 12 under VHHC

Form 5-3 Line 3 - Reconciliation

Account Detail	Consolidated	
SNF - General & Admin	12,791,303	
RCF General & Admin	802,998	
SNF Depreciation & Amortization	431,089	
RCF Depreciation & Amortization	99,020	
SNF - Leases & Rentals	3,691,904	
RCF - Leases & Rentals	1,013,187	
SNF - Property Taxes	319,381	
RCF - Property Taxes	66,859	
SNF - Property Insurance	374,365	
RCF - Property Insurance	67,512	
SNF - Misc	-	
RCF - Misc	23,018	
Patient Supplies	32,817	
Priv Other Ancillaries	25,620	
Mcare Other Ancillaries	5,045	
Mcal Other Ancillaries	117,188	
Total General & Administrative Costs	19,861,306	Ties to Audited FS pg. 24 line 12 under Total
SNF - Leases & Rentals		
Lease - Buildings	3,604,132	
Lease - Equipment	8,736	
Lease - Auto	79,036	
	3,691,904	Ties to SNF Leases & Rentals Above
RCFE - Leases & Rentals		
Lease - Buildings	1,012,528	
Lease - Equipment	659	
Lease - Auto	-	
	1,013,187	Ties to RCF Leases & Rentals Above
SNF Leases - Buildings		
AGCC	595,070	
ALTC	-	
BCC	1,350,000	
CHI	175,797	
MVHC	723,540	
SLPA	470,391	
SLTC	289,334	
	3,604,132	
SNF Leases - Buildings	3,604,132	
RCFE Leases - Buildings	1,012,528	
Total SNF & RCF Building Leases	4,616,660	
Deferred Rent		
	4,616,660	
Less Portion Paid to Related Parties (Not applicable to long-term debt)	(1,430,517)	
Facility Leasehold/Rental Payments	3,186,143	Ties to Form 5-3 line 3

Form 5-4 (1) Lines 1 2(c) & 2(e) - Reconciliation		
Total Operating Expense (BCC & CDF)	14,941,700	Form 5-4 (1) Line 1
BCC Total Expenses	11,468,800	Audited FS pg. 24, line 17 under BCC
CDF Total Expenses	<u>3,472,900</u>	Audited FS pg. 24, line 17 under CDF
	14,941,700	Ties to Form 5-4 (1) Line 1
Variance	-	
Depreciation	174,399	Form 5-4 (1) Line 2c See Form 5-1 Reconciliation Above. Ties to Audited FS pg. 24, line 12
Revenue from Persons not under CCRC Contract		
See separate reconciliation to Consolidated Statement of Cash Flows (Direct Method)		

**Continuing Care Retirement Community  
Disclosure Statement**

Date Prepared: 4/25/22

FACILITY NAME: Compass Health Inc., dba Arroyo Grande Care Center & Wyndham Residence

ADDRESS: 1212 Farroll Ave and 222 S Elm Street, Arroyo Grande, CA

ZIP CODE: 93420

PHONE: (805) 474-7260

PROVIDER NAME: Compass Health Inc.

FACILITY OPERATOR: Compass Health, Inc.

RELATED FACILITIES: \_\_\_\_\_

RELIGIOUS AFFILIATION: None

YEAR 1995 # OF 5.58 ☐ SINGLE ☐ MULTI-

MILES TO SHOPPING CTR: 1

OPENED: 1995 ACRES: 5.58 STORY Both ☒ OTHER: Both

MILES TO HOSPITAL: 20

\*\*\*\*\*

**NUMBER OF UNITS:**

**RESIDENTIAL LIVING**

**HEALTH CARE**

APARTMENTS — STUDIO: \_\_\_\_\_

ASSISTED LIVING: 57

APARTMENTS — 1 BDRM: \_\_\_\_\_

SKILLED NURSING: 99

APARTMENTS — 2 BDRM: \_\_\_\_\_

SPECIAL CARE: \_\_\_\_\_

COTTAGES/HOUSES: \_\_\_\_\_

DESCRIPTION: > \_\_\_\_\_

RLU OCCUPANCY (%) AT YEAR END: \_\_\_\_\_

OVERALL CCRC OCCUPANCY (%) AT YEAR END: \_\_\_\_\_

\*\*\*\*\*

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 - \$ 0 LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: \_\_\_\_\_

ENTRY REQUIREMENTS: MIN. AGE: 65 PRIOR PROFESSION: \_\_\_\_\_ OTHER: \_\_\_\_\_

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD: > Resident council President meets with representative > quarterly to offer resident's perspective on any changes in the facility. Representative provides materials about board meetings to the President.

\*\*\*\*\*

**FACILITY SERVICES AND AMENITIES**

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

**OTHER CCRCs**

**LOCATION (City, State)**

**PHONE (with area code)**

**Bayside Care Center/Casa De Flores**

**Morro Bay, CA**

**(805)-772-2237, (805)-772-7372**

**MULTI-LEVEL RETIREMENT COMMUNITIES**

**LOCATION (City, State)**

**PHONE (with area code)**

**FREE-STANDING SKILLED NURSING**

**LOCATION (City, State)**

**PHONE (with area code)**

**Danish Care Center**

**Atascadero CA**

**(805) 466-9254**

**Mission View Health Center**

**San Luis Obispo CA**

**(805) 543-0210**

**San Luis Transitional Care**

**San Luis Obispo CA**

**(805) 545-7575**

**FREE-STANDING SKILLED NURSING**

**LOCATION (City, State)**

**PHONE (with area code)**

**Vineyard Hills Health Center**

**Templeton CA**

**(805) 434-3035**

**San Luis Post Acute Center**

**San Luis Obispo CA**

**(805) 544-5100**

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

PROVIDER NAME: Compass Health Inc.

	2018	2019	2020	2021
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (Excluding amortization of entrance fee income)	74,882,200	75,831,000	76,599,700	71,612,000
<b>LESS OPERATING EXPENSES</b> (Excluding depreciation, amortization, and interest)	66,054,400	67,360,700	64,104,200	61,912,800
<b>NET INCOME FROM OPERATIONS</b>	<u>8,827,800</u>	<u>8,470,300</u>	<u>12,495,500</u>	<u>9,699,200</u>
<b>LESS INTEREST EXPENSE</b>	64,100	57,400	43,200	35,200
<b>PLUS CONTRIBUTIONS</b>				
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)				
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	<u>8,763,700</u>	<u>8,412,900</u>	<u>12,452,300</u>	<u>9,664,000</u>
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

\*\*\*\*\*

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Symetra Life Insurance Co.	534,100	5.35	4/1/2012	3/1/2024	11 yrs 11 mos.

\*\*\*\*\*

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

	2017 CCAC Medians 50 <sup>th</sup> Percentile <i>(optional)</i>	2019	2020	2021
<b>DEBT TO ASSET RATIO</b>		.0352	.0281	0.0116
<b>OPERATING RATIO</b>		.8829	.8794	0.8351
<b>DEBT SERVICE COVERAGE RATIO</b>		40.27	41.82	43.07
<b>DAYS CASH ON HAND RATIO</b>		105.84	104.79	126.70

\*\*\*\*\*

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

	2018	%	2019	%	2020	%	2021
STUDIO							
ONE BEDROOM							
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING	3,033-5,014	5%	3,530-8,130	0%	3,530-8,130	9%	3,830-8,430
SKILLED NURSING	7,440-8525	0%	7,440-8,525	7%	8,700-12,000	0%	8,700-12,000
SPECIAL CARE							

\*\*\*\*\*

**COMMENTS FROM PROVIDER:** > \_\_\_\_\_  
 > \_\_\_\_\_  
 > \_\_\_\_\_

PROVIDER NAME: Compass Health Inc.

### **FINANCIAL RATIO FORMULAS**

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

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

#### **OPERATING RATIO**

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

#### **DEBT SERVICE COVERAGE RATIO**

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

#### **DAYS CASH ON HAND RATIO**

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

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

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

	<b>RESIDENTIAL LIVING</b>	<b>ASSISTED LIVING</b>	<b>SKILLED NURSING</b>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	N/A	\$ 3,530 – \$ 8,130	\$8,700 - \$12,000
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	N/A	9% \$3,830 – \$8,430	0% \$8,700 - \$12,000

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

[3] Indicate the date the fee increase was implemented: September 1, 2021 for the Skilled Nursing  
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- ☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- ☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation. **Date of Notice:** June 28, 2021 **Method of Notice:** Letter
- ☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend. **Date of Meeting:** July 14, 2021
- ☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- ☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases. **Date of Notice:** 6/30/2021
- ☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting. **Date of Posting:** 06/30/2021  
**Location of Posting:** Announcement Board

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

**PROVIDER:** Compass Health, Inc.

**COMMUNITY:** Arroyo Grande Care Center and Wyndham Residence

**Form 7-1 Attachment**  
**Monthly Care Fee Increase**

Historically, year over year increases in operating expenses are closely tied to increases in the Consumer Price Index, not taking into account per patient day fixed costs. Based on the 8.8% CPI increase recently published by US Bureau of Labor Statistics and the real cost increases we are seeing on the ground, a 7% increase was applied to the Projected F/Y 2022 Operating Expenses over F/Y 2021 Operating Expenses.

**Form 7-1 Monthly Care Fee Increase (MCFI)**  
**Annual Reporting Fiscal Year (F/Y) 2021**

Line	Fiscal Years	2020	2021	2022	
1	F/Y 2020 Operating Expenses	(11,760,400)			Audited financials Total Expenses (AGCC+WYN)
2	F/Y 2021 Operating Expenses		(11,660,400)		Audited financials Total Expenses (AGCC+WYN)
3	Projected F/Y 2022 Results of Operations			(12,476,628)	
4	F/Y 2022 Anticipated MCF Revenue Based on Current and Projected Occupancy and Other without a MCFI			13,294,451	
5	Projected F/Y 2022 (Net) Operating Results without a MCFI			817,823	
6	Projected F/Y 2022 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI 9% on Assisted Living Monthly Fees			13,569,783	
7	Grand Total - Projected F/Y 2022 Net Operating Activiting after MCFI 9% on Assisted Living Monthly			1,093,155	

Monthly Care Fee Increase Assisted Living: 9%

Adjustments Explained:

- 1) Projected SNF occupancy based on current census is expected to remain the same as F/Y 2021 and Projected Assisted Living occupancy based on current census is expected to increase 3% over F/Y 2021.
- 2) In F/Y 2021, Assited Living Revenue was 22% of the total MCF Revenue.

Compass Health, Inc. dba Arroyo Grande Care Center and Wyndham Residence

Form 7-1 Attachment

Increase in Monthly Serve Fee

**Attachment to Item [5]:**

Rate increases on monthly fees for the following levels of care were approved by the Board based on projected operating costs of the continuing care retirement community, projected per capita costs and economic indicators:

	Rate Increase	Range of Monthly Fees
Assisted Living	9%	\$3,830 to \$8,700
Skilled Nursing Care	0%	\$8,700 to \$12,000

**Assisted Living**

The monthly care fees for the Assisted Living level of care were increased by 9% in line with increased operating costs. The Assisted Living census maintained level in F/Y 2021 and is projected to increase by 3% in F/Y 2022 as residents continue to look for placement after periods of quarantine and isolation due to the COVID-19 Pandemic.

**Skilled Nursing Care**

The Private monthly care fees for Skilled Nursing Care (SNF) were not increased in F/Y 2021. The SNF census maintained level in F/Y 2021 and is projected to remain so in F/Y 2022.