

April 25, 2024

Continuing Care Contracts Branch

California Department of Social Services

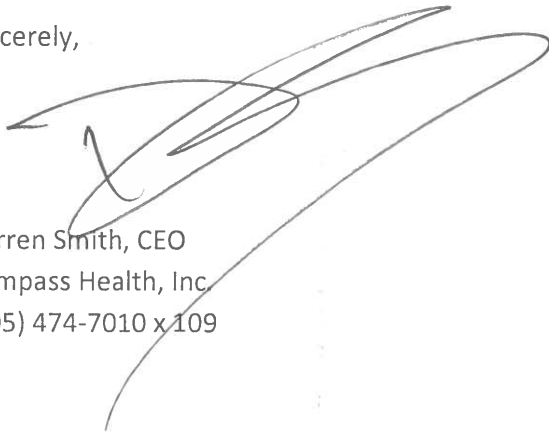
To Whom It May Concern:

I, Darren Smith, certify that the annual audit, reports and any amendments thereto submitted for December 31, 2023 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 \$2,187,784.

Sincerely,



Darren Smith, CEO  
Compass Health, Inc.  
(805) 474-7010 x109



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

5/1/2024

4/27/2023

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>E-MAIL ADDRESS:</b>		
<b>INSURER(S) AFFORDING COVERAGE</b>			<b>NAIC #</b>
<b>INSURER A :</b> Allied World Surplus Lines Insurance Company			24319
<b>INSURER B :</b>			
<b>INSURER C :</b>			
<b>INSURER D :</b>			
<b>INSURER E :</b>			
<b>INSURER F :</b>			

**COVERAGES** COMHE01      **CERTIFICATE NUMBER:** 15058557      **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 WVD	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	0313-8133	5/1/2023	5/1/2024	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 50,000 MED EXP (Any one person) \$ 20,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 3,000,000 PRODUCTS - COMP/OP AGG \$ XXXXXXXX \$
	<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY			NOT APPLICABLE			COMBINED SINGLE LIMIT (Ea accident) \$ XXXXXXXX BODILY INJURY (Per person) \$ XXXXXXXX BODILY INJURY (Per accident) \$ XXXXXXXX PROPERTY DAMAGE (Per accident) \$ XXXXXXXX \$ XXXXXXXX
	<b>UMBRELLA LIAB</b> <input type="checkbox"/> OCCUR <b>EXCESS LIAB</b> <input type="checkbox"/> CLAIMS-MADE DED    RETENTION \$			NOT APPLICABLE			EACH OCCURRENCE \$ XXXXXXXX AGGREGATE \$ XXXXXXXX \$ XXXXXXXX
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) <input type="checkbox"/> Y / N If yes, describe under DESCRIPTION OF OPERATIONS below		N/A	NOT APPLICABLE			PER STATUTE    OTH-ER E.L. EACH ACCIDENT \$ XXXXXXXX E.L. DISEASE - EA EMPLOYEE \$ XXXXXXXX E.L. DISEASE - POLICY LIMIT \$ XXXXXXXX

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

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

15058557  
 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 **15058557**.

- 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**

# COMPASS HEALTH, INC.

## 2019-2020 Named Insured and Location Schedule

LOCATION/FACILITY	LOCATION ADDRESS	OPERATIONS
Compass Health, Inc. (Corporate Office)	200 S. 13th Street, #201 - 208 Grover Beach, CA 93433	Office
Arroyo Grande Care Center	1212 Farroll Avenue Arroyo Grande, CA 93420	Skilled Nursing Facility
Danish Care Center	10805 El Camino Real Atascadero, CA 93422	Skilled Nursing Facility
Vineyard Hills Health Center	290 Heather Court Templeton, CA 93465	Skilled Nursing Facility
San Luis Transitional Care	1575 Bishop Street San Luis Obispo, CA 93401	Skilled Nursing Facility
Casa De Flores / Bayside Center	1405 Teresa Drive Morro Bay, CA 93442	Assisted Living Facility / Skilled Nursing Facility
Wyndham Residence	222 S. Elm Street Arroyo Grande, CA 93420	Assisted Living Facility
Mission View Health Center	1425 Woodside Drive San Luis Obispo, CA 93401	Skilled Nursing Facility
Bella Vista Transitional Care	3033 Augusta Street San Luis Obispo, CA 93401-5820	Skilled Nursing Facility





ALLIED WORLD SURPLUS LINES INSURANCE COMPANY  
199 Water Street, New York, NY 10038 · Tel. (646) 794-0500 · Fax (646) 794-0611

**HEALTHCARE ORGANIZATIONS  
PROFESSIONAL AND GENERAL LIABILITY  
INSURANCE POLICY DECLARATIONS**

Policy Number: 0313-8133  
Renewal of: New

**Item 1. Name and Mailing Address of Named Insured:**

Compass Health, Inc.  
200 South 13th Street, Suite 208  
Grover Beach, CA 93433

**Item 2. Policy Period:**

- (a) Inception Date: May 1, 2023
- (b) Expiration Date: May 1, 2024  
At 12:01AM Standard Time at the Mailing Address shown above

**Item 3. Limits of Liability:**

Insuring Agreement I.A. Claims Made Professional Liability

- (a) \$1,000,000 each Claim under Insuring Agreement I.A.;
- (b) \$3,000,000 in the aggregate for all Claims under Insuring Agreement I.A.

*Either Claims Made or Occurrence General Liability Coverage was purchased by the Insured, but coverage may not be provided under both Insuring Agreements I.B.1. and I.B.2. The selected coverage is indicated by an "X" in the appropriate box below.*

- Insuring Agreement I.B.1. Occurrence General Liability
  - (c) N/A each Occurrence - Bodily Injury, Property Damage and Personal and Advertising Injury;
  - (d) N/A each Occurrence - Fire Damage;
  - (e) N/A in the aggregate for all Claims under Insuring Agreement I.B.1.

- Insuring Agreement I.B.2. Claims Made General Liability
  - (f) \$1,000,000 each Claim - Bodily Injury, Property Damage and Personal and Advertising Injury;
  - (g) \$50,000 each Claim - Fire Damage;
  - (h) \$3,000,000 in the aggregate for all Claims under Insuring Agreement I.B.2.

Insuring Agreement I.C. Claims Made Employee Benefits Liability

- (i) \$1,000,000 each Claim under Insuring Agreement I.C.;
- (j) \$3,000,000 in the aggregate for all Claims under Insuring Agreement I.C.

Additional Coverage II.A. Claims Made Patient Privacy Coverage

- (k) - N/A - each Claim under Additional Coverage II.A.;
- (l) - N/A - in the aggregate for all Claims under Additional Coverage II.A.;

*Such Limits shall be part of, and not in addition to, the aggregate Limit of Liability for Insuring Agreement I.A.*

**Policy Aggregate Limit of Liability**

- (m) \$6,000,000 Insurer's Maximum Aggregate Limit of Liability for all Claims under all Insuring Agreements and Additional Coverages.

**Item 4. Deductibles:**

- (a) \$250,000 each and every Claim under Insuring Agreement I.A.
- (b) \$250,000 each and every Occurrence under Insuring Agreement I.B.1., or each and every Claim under Insuring Agreement I.B.2.
- (c) \$1,000 each and every Claim under Insuring Agreement I.C.
- (d) - N/A - each and every Claim under Additional Coverage II.A.

**Item 5. Retroactive Dates**

- (a) May 1, 2005 Insuring Agreement I.A. Claims Made Professional Liability
- (b) May 1, 2005 Insuring Agreement I.B.2. Claims Made General Liability.  
Not applicable to Insuring Agreement I.B.1. Occurrence General Liability
- (c) May 1, 2005 Insuring Agreement I.C. Claims Made Employee Benefits Liability
- (d) N/A Additional Coverage II.A. Claims Made Patient Privacy Coverage

**Item 6. Address of Insurer For Notices Under This Policy:**

Claim-Related Notices:  
[Noticeofloss@awac.com](mailto:Noticeofloss@awac.com)

All Other Notices:  
1690 New Britain Avenue, Suite 101  
Farmington, CT 06032

**Item 7. Premium:**

**\$193,000.00**

**Item 8. Minimum Earned Premium:**

25% of the Policy Premium set forth above.

**Item 9. Endorsements Attached at Issuance:**

1. MED 00279 00 (09/2021) Pandemic Endorsement
2. MED 00142 00 (12/2014) Claims Made Sexual Misconduct
3. MED 00147 00 (12/2014) Damage to Patients Property
4. MED 00157 00 (12/2014) Evacuation Coverage
5. MED 00169 00 (12/2014) Medical Payments Coverage
6. MED 00180 00 (12/2014) Schedule A - Insured Entity
7. MED 00183 00 (12/2014) Self-Insured Retention replaces Deductible
8. MED 00185 00 (10/2015) Service of Suit Clause
9. MED 00187 00 (12/2014) Specific Locations, Separate Limits of Liability
10. MED 00188 00 (12/2014) Strategic Response Coverage Extension
11. MED 00270 00 (02/2019) Defense Outside the Limits All Insuring Agreements Capped at Policy Aggregate
12. IL 00052 00 (04/2022) Trade and Economic Sanctions
13. MED 00212 00 (02/2023) Additional Insureds General Liability Coverage
14. CH Manu A Each And Every Claim Self-Insured Retention
15. CH Manu B Pre-Approved Counsel With Capped Rates

In Witness Whereof, the Insurer has caused this Policy to be executed and attested. This Policy shall not be valid unless countersigned by a duly authorized representative of the Insurer.



President



Asst. Secretary



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**AUTHORIZED REPRESENTATIVE**

**COMPASS HEALTH, INC. AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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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 S Corporation) and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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, 2023 and 2022, 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 25, 2024

**COMPASS HEALTH, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**

	ASSETS	
	2023	2022
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 5,641,800	\$ 6,626,400
Restricted cash	194,400	187,900
Accounts receivable, net	8,578,700	7,236,200
Supplies	3,200	2,900
Prepaid expenses	940,200	995,700
Due from related parties, net	1,525,300	1,473,400
Total current assets	16,883,600	16,522,500
PLANT, PROPERTY, AND EQUIPMENT, net	4,633,000	4,778,500
INTANGIBLE ASSETS, net	36,400	43,800
DEPOSITS AND OTHER ASSETS	65,000	65,000
OPERATING LEASE RIGHT-OF-USE ASSETS	18,676,400	19,306,100
Total assets	\$ 40,294,400	\$ 40,715,900
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 1,541,000	\$ 1,646,500
Accrued compensation and related expenses	7,086,400	6,338,800
Income taxes payable	5,200	90,800
Security deposits and other liabilities	5,057,400	2,982,300
Current portion of long-term debt	62,500	242,100
Current portion of operating lease liabilities	4,044,000	3,716,800
Total current liabilities	17,796,500	15,017,300
LONG-TERM DEBT, net of current portion	-	62,500
OPERATING LEASE LIABILITIES, net of current portion	14,632,400	15,589,300
Total liabilities	32,428,900	30,669,100
COMMITMENTS AND CONTINGENCIES	-	-
<b>SHAREHOLDER'S EQUITY:</b>		
Common stock, no par value; 1,000 shares authorized; 1,000 shares issued and outstanding	31,900	31,900
Retained earnings	7,833,600	10,014,900
Total shareholder's equity	7,865,500	10,046,800
Total liabilities and shareholder's equity	\$ 40,294,400	\$ 40,715,900

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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
REVENUES:		
Net patient service revenue	\$ 65,113,900	\$ 63,290,400
Net residential board and care revenue	7,954,400	7,524,200
Net other revenue	<u>854,400</u>	<u>112,700</u>
Total revenues	<u>73,922,700</u>	<u>70,927,300</u>
EXPENSES:		
Nursing services	31,283,800	28,805,900
Plant operations and maintenance	3,778,700	3,854,600
Housekeeping and laundry	2,913,800	2,923,800
Dietary	7,154,100	6,896,900
Social services and activities	1,803,000	1,636,800
Education	618,200	526,700
General and administrative	24,379,400	19,376,800
Interest expense	12,400	25,100
Pharmacy	1,398,100	1,227,100
Laboratory	140,200	292,800
X-ray	<u>139,600</u>	<u>154,200</u>
Total expenses	<u>73,621,300</u>	<u>65,720,700</u>
INCOME BEFORE INCOME TAX PROVISION	301,400	5,206,600
INCOME TAX PROVISION	<u>(17,100)</u>	<u>(103,400)</u>
NET INCOME	284,300	5,103,200
DISTRIBUTIONS TO SHAREHOLDER	(2,465,600)	(6,307,200)
RETAINED EARNINGS, beginning of year	<u>10,014,900</u>	<u>11,218,900</u>
RETAINED EARNINGS, end of year	\$ <u>7,833,600</u>	\$ <u>10,014,900</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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 284,300	\$ 5,103,200
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	521,400	512,300
Changes in assets and liabilities:		
(Increase) in accounts receivable, net	(1,342,500)	(11,000)
(Increase) decrease in supplies	(300)	1,000
Decrease (increase) in prepaid expenses	55,500	(145,000)
(Increase) in due from related parties, net	(51,900)	(15,400)
(Decrease) in accounts payable	(105,500)	(56,100)
Increase (decrease) in accrued compensation and related expenses	747,600	(345,700)
(Decrease) in income taxes payable	(85,600)	(102,000)
Increase (decrease) in security deposits and other liabilities	<u>2,075,100</u>	<u>(2,901,300)</u>
Net cash provided by operating activities	<u>2,098,100</u>	<u>2,040,000</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of plant, property, and equipment	<u>(368,500)</u>	<u>(655,400)</u>
Net cash (used in) investing activities	<u>(368,500)</u>	<u>(655,400)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
(Principal payments on) long-term debt	(242,100)	(229,500)
Distributions to shareholder	<u>(2,465,600)</u>	<u>(6,307,200)</u>
Net cash (used in) financing activities	<u>(2,707,700)</u>	<u>(6,536,700)</u>
Net change in cash, cash equivalents, and restricted cash	(978,100)	(5,152,100)
Cash, cash equivalents, and restricted cash at beginning of year	<u>6,814,300</u>	<u>11,966,400</u>
Cash, cash equivalents, and restricted cash at end of year	\$ <u>5,836,200</u>	\$ <u>6,814,300</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, 2023 AND 2022**

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

	<u>2023</u>	<u>2022</u>
Cash paid during the year for:		
Income taxes	\$ <u>102,700</u>	\$ <u>205,400</u>
Interest paid	\$ <u>12,400</u>	\$ <u>25,100</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 a 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 848 employees, with approximately 688 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).

#### 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 its wholly-owned subsidiary, Coastal, LLC, which operates Vineyard Hills Health Center and Danish Care Center, (the "Subsidiary").

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").

##### Leases

The Company accounts for its leasing activities in accordance with accounting guidance for leases, as codified in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 842, *Leases*, adopted effective January 1, 2022. In adopting this new guidance, the Company utilized expedients that allowed it to retain the classification, as either an operating lease or a finance lease, which was previously determined under prior accounting guidance for leases. The Company reassesses this classification upon renewal, extension or the modification of an existing lease agreement. The Company determines the appropriate classification upon entering into a new contract determined to contain a lease. All of the Company's leases are classified as operating leases. The Company also elected a short-term lease exception policy and an accounting policy not to separate non-lease components from lease components.

## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### Leases – Continued

Operating lease assets and liabilities are recognized at the lease commencement date, or were recognized upon adoption of FASB ASC 842. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent the Company's right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets.

The Company's facility leases generally do not provide information to determine the implicit interest rate in the agreements. This requires the Company to make significant judgment in determining the incremental borrowing rate to be used in calculating operating lease liabilities as of the adoption or commencement date. The estimated discount rate used for the Company's leases was 5.35%.

The cost of an operating lease is recognized over the lease term on a straight-line basis. The lease term commences on the date the Company has the right to control the use of the leased property. Certain leases may contain provisions for fixed-step escalations in payments over the base lease term, as well as renewal periods. The effects of the fixed-step escalations are reflected in rent expense on a straight-line basis over the expected lease term. Differences between amounts paid and amounts expensed are reflected in the adjustments to the right-of-use ("ROU") assets.

##### 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 (decreased) increased revenues during the years ended December 31, 2023 and 2022 were (\$9,107,900) and \$5,930,400, respectively.

Revenues from direct billings under federal Medicare program and state Medi-Cal program, net of contractual allowances, during the years ended December 31, 2023 and 2022 were approximately 89% and 90%, 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, 2023 and 2022, the amounts due from federal and state third-party payors were approximately \$6,300,800 and \$5,688,100, 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, is not accounted for under FASB ASC 842.

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 allocated funds to be distributed to qualified healthcare service providers for healthcare-related expenses or lost revenue due to COVID-19 through the Provider Relief Fund ("PRF"). 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

In 2021, the Company received \$2,697,600 from the PRF. As of December 31, 2022, there were no unspent funds from the PRF. PRF earned during the year ended December 31, 2022 amounted to \$238,300 and is included in net other revenue. 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 cash and 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,641,800	\$ 6,626,400
Restricted cash	<u>194,400</u>	<u>187,900</u>
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	\$ <u>5,836,200</u>	\$ <u>6,814,300</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, 2023 and 2022, allowance for price concessions and doubtful accounts were \$254,700 and \$217,500, respectively.

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.



## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### 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 the 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, 2023 and 2022, 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 receivable, accounts payable, and other current assets and liabilities, the carrying amounts approximate fair value due to their short-term maturity.

The fair value of long-term debt is determined using current applicable rates for similar instruments and approximates its carrying value.

## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### 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, 2023 and 2022 that exceed the balance insured by the FDIC and SIPC in the amount of \$6,272,100 and \$7,345,200, respectively.

With respect to 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.

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.

## 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, 2023, 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 \$44,565,500. This represents the minimum amount of premium to be paid by the Company.

Under the LMIC Plan in effect through May 1, 2024, 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 \$50,800,000. 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.

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.

## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### Income Taxes – Continued

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, 2023 and 2022. The Company's tax returns are no longer subject to income tax examinations by taxing authorities for years before 2020 for their federal and 2019 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 depends on a number of factors, including, but not limited to, how long the pandemic will last, whether/when recurrences of the virus and its variants may arise, what restrictions may be enacted or re-enacted, and 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 the normal course of business, the Company evaluates new accounting pronouncements to determine the potential impact they may have on its consolidated financial statements. Based upon this review, the Company does not expect any of the recently issued accounting pronouncements, which have not already been adopted by the Company, to have a material impact on its consolidated financial statements.

##### Subsequent Events

The Company evaluated events occurring between December 31, 2023 and April 25, 2024, 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.

**COMPASS HEALTH, INC. AND SUBSIDIARY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 - PLANT, PROPERTY, AND EQUIPMENT**

At December 31, 2023 and 2022, plant, property, and equipment consisted of the following:

	2023	2022
Land	\$ 966,000	\$ 966,000
Facility buildings	5,368,200	5,360,700
Parking structure	318,000	291,800
Fixed equipment	279,600	251,800
Leasehold improvements	2,663,000	2,501,100
Major movable	794,600	707,800
Minor movable	483,400	464,700
Furniture and fixtures	426,300	388,800
Construction-in-progress	59,400	57,300
	11,358,500	10,990,000
Less: accumulated depreciation and amortization	(6,725,500)	(6,211,500)
	\$ 4,633,000	\$ 4,778,500

Depreciation and amortization expense on plant, property and equipment for the years ended December 31, 2023 and 2022 were \$514,000 and \$504,900, respectively.

**NOTE 4 - INTANGIBLE ASSETS**

At December 31, 2023 and 2022, intangible assets consisted of the following:

	2023	2022
Deferred financing costs	\$ 48,600	\$ 48,600
Other	50,000	50,000
	98,600	98,600
Less: accumulated amortization	(62,200)	(54,800)
	\$ 36,400	\$ 43,800

Amortization expense related to intangible assets for the years ended December 31, 2023 and 2022 were \$7,400 for each year.

**COMPASS HEALTH, INC. AND SUBSIDIARY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 5 - LINE OF CREDIT

The Company has a line of credit with Mechanics Bank, 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% (8.50% and 7.50%, respectively, at December 31, 2023 and 2022). The line of credit matured on August 30, 2023. During the year ended December 31, 2023, the line of credit was renewed and is set to mature on September 1, 2024. The line of credit is secured essentially by all assets of the Company and is guaranteed by a shareholder. As of December 31, 2023 and 2022, there was no amount outstanding under this line of credit.

NOTE 6 - ACCRUED COMPENSATION AND RELATED EXPENSES

At December 31, 2023 and 2022, accrued compensation and related expenses consisted of the following:

	2023	2022
Accrued payroll	\$ 1,858,900	\$ 1,811,600
Accrued vacation, holiday, and sick	1,883,300	1,522,500
Workers' compensation payable	2,979,400	2,730,000
Other accrued liabilities	364,800	274,700
	<u>\$ 7,086,400</u>	<u>\$ 6,338,800</u>

NOTE 7 - LONG-TERM DEBT

At December 31, 2023 and 2022, long-term debt consisted of the following:

	2023	2022
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.	\$ 62,500	\$ 304,600
Less: current portion	<u>(62,500)</u>	<u>(242,100)</u>
	<u>\$ -</u>	<u>\$ 62,500</u>

## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 7 - LONG-TERM DEBT – CONTINUED

Principal maturities of long-term debt subsequent to December 31, 2023 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2024	\$ <u>62,500</u>
	\$ <u>62,500</u>

#### NOTE 8 - 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 options to extend for five years each. The minimum monthly rent payments total approximately \$165,100 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 \$53,400, 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 \$25,500 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 \$64,600, with an annual increase of 3.25%.

**COMPASS HEALTH, INC. AND SUBSIDIARY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 8 - 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 January 2028 and has two options to extend for five years each. The minimum monthly rent payments total \$13,500, 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 expired in January 2024 and the Company exercised the first of its two options to extend for five years each. The minimum monthly rent payments total approximately \$44,100, 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>
2024	\$ 5,043,200
2025	4,197,100
2026	2,433,000
2027	2,065,100
2028	1,939,900
2029 and thereafter	<u>9,827,200</u>
	25,505,500
Less: interest/imputed interest	<u>(6,829,100)</u>
Total operating lease liabilities	18,676,400
Less: current portion	<u>(4,044,000)</u>
	<u>\$ 14,632,400</u>

Rent expense during the years ended December 31, 2023 and 2022 amounted to \$4,746,900 and \$4,691,000, respectively, which also represent cash paid for amounts included in the measurement of operating lease liabilities.

As of December 31, 2023 and 2022, operating lease ROU assets amounted to \$18,676,400 and \$19,306,100, respectively. As of December 31, 2023, the weighted average remaining lease term was 22.29 years.



## COMPASS HEALTH, INC. AND SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 8 - COMMITMENTS AND CONTINGENCIES – CONTINUED

##### 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 results of its operations.

##### c) Guarantor

The Company is a guarantor for three loans on real property owned by related parties. At December 31, 2023, the contingent liabilities guaranteed by these three loans consisted of the following:

	<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.	\$ 4,032,00
Real property located at 1575 Bishop Street, San Luis Obispo, CA owned by Playa Dulce, LLC and operated by the Company.	\$ 383,800

#### NOTE 9 - 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, 2023 and 2022, the Company's matching contribution to the Plan amounted to \$185,200 and \$182,700, respectively.

#### NOTE 10 - RELATED PARTY TRANSACTIONS

##### Leases

The Company has seven operating lease agreements with related parties (see also Note 8). For the years ended December 31, 2023 and 2022, the Company recorded approximately \$4,030,200 and \$3,982,400, respectively, in related party rent expense. There was no amount due to related parties for rent at December 31, 2023 and 2022.

**COMPASS HEALTH, INC. AND SUBSIDIARY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 10 - RELATED PARTY TRANSACTIONS – COTINUED

Due from Related Parties, net

As of December 31, 2023 and 2022, the Company had advances of \$1,525,300 and \$1,473,400 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>2023</u>	<u>2022</u>
The Old Custom House Inc.	\$ 1,521,100	\$ 1,521,100
Playa Dulce LLC	-	2,100
Various	<u>4,200</u>	<u>(49,800)</u>
	<u>\$ 1,525,300</u>	<u>\$ 1,473,400</u>

NOTE 11 - WORKER RETENTION PAYMENTS

Pursuant to legislation signed in June 2022, the California Department of Health Care Services issued worker retention payments (“WRP”) to qualifying health care facilities for distribution to its approved employees. During the year ended December 31, 2023, the Company received WRP amounting to \$756,500, which was then paid to approved employees within the required timeframe. Receipt of WRP funds is included in net other revenue, while payments made to employees are included in expenses as other employee benefits within the various functional expense classifications.

**COMPASS HEALTH, INC. AND SUBSIDIARY**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2023**



## 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, 2023 and 2022, and our report thereon dated April 25, 2024, 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 pages 23 to 25 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 pages 26 to 47 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, 2023, in conformity with the report preparation provisions of the California Health and Safety Code Section 1792.

A handwritten signature in blue ink, appearing to read 'Seto K.', is written over a light blue horizontal line.

April 25, 2024

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

**DECEMBER 31, 2023**

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

	AGCC	BCC	CDF	CHI	DCC	MVHC	SLPA	SLTC	TPY	VHHC
<b>CURRENT ASSETS:</b>										
Cash and cash equivalents	\$ (23,900)	\$ 25,900	\$ 400	\$ 6,057,200	\$ (77,400)	\$ (64,300)	\$ (255,000)	\$ 106,000	\$ (900)	\$ (125,300)
Restricted cash	-	194,400	-	-	-	-	-	-	-	-
Accounts receivable, net	1,697,900	1,268,900	6,200	132,500	848,400	1,511,000	1,251,000	280,300	-	1,588,900
Supplies	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	141,000	153,000	18,900	11,400	114,200	60,800	233,700	34,600	-	164,700
Due from related parties, net	700	34,161,300	(34,161,300)	1,521,300	-	3,300	-	-	-	-
Total current assets	1,815,700	35,803,500	(34,135,800)	7,722,400	885,200	1,510,800	1,229,700	420,900	(900)	1,628,300
<b>INVESTMENT IN SUBSIDIARY</b>	-	-	-	3,926,000	-	-	-	-	-	-
<b>PLANT, PROPERTY, AND EQUIPMENT, net</b>	115,700	449,600	687,300	23,300	866,700	-	211,600	478,600	-	1,800,200
<b>INTANGIBLE ASSETS, net</b>	-	-	-	-	-	-	36,100	-	-	300
<b>DEPOSITS AND OTHER ASSETS</b>	18,000	-	-	13,100	-	33,900	-	-	-	-
<b>OPERATING LEASE RIGHT-OF-USE ASSETS</b>	3,055,300	2,981,300	-	622,400	-	1,846,600	2,506,600	479,800	-	-
Total assets	\$ 5,004,700	\$ 39,234,400	\$ (33,448,500)	\$ 12,307,200	\$ 1,751,900	\$ 3,391,300	\$ 3,984,000	\$ 1,379,300	\$ (900)	\$ 3,428,800
<b>CURRENT LIABILITIES:</b>										
Accounts payable	\$ 202,700	\$ 196,400	\$ 65,900	\$ 188,500	\$ 144,800	\$ 264,900	\$ 180,200	\$ 50,000	\$ -	\$ 205,800
Accrued compensation and related expenses	1,182,800	678,000	182,000	2,171,600	262,800	691,000	653,500	17,000	739,400	378,800
Income taxes payable	-	-	-	4,500	-	700	-	-	-	180,000
Security deposits and other liabilities	-	187,900	3,900	4,685,600	-	-	-	-	-	62,500
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-
Current portion of operating lease liabilities	496,400	1,848,600	-	133,000	-	695,600	409,900	282,300	-	-
Total current liabilities	1,881,900	2,910,900	251,800	7,183,200	407,600	1,652,200	1,243,600	349,300	739,400	827,100
<b>LONG-TERM DEBT, net of current portion</b>	-	-	-	-	-	-	-	-	-	-
<b>OPERATING LEASE LIABILITIES, net of current portion</b>	2,558,900	1,132,700	-	489,400	-	1,151,000	2,096,700	197,500	-	-
Total liabilities	4,440,800	4,043,600	251,800	7,672,600	407,600	2,803,200	3,340,300	546,800	739,400	827,100
<b>COMMITMENTS AND CONTINGENCIES</b>	-	-	-	-	-	-	-	-	-	-
<b>SHAREHOLDER'S EQUITY:</b>										
Common stock, no par value; 1,000 shares authorized;	900	30,000	-	1,000	-	-	-	-	-	-
1,000 shares issued and outstanding	563,000	35,160,800	(33,700,300)	4,633,600	1,344,300	588,100	643,700	832,500	(740,300)	2,601,700
Retained earnings (deficiency)	-	-	-	-	-	-	-	-	-	-
Total shareholder's equity	563,900	35,190,800	(33,700,300)	4,634,600	1,344,300	588,100	643,700	832,500	(740,300)	2,601,700
Total liabilities and shareholder's equity	\$ 5,004,700	\$ 39,234,400	\$ (33,448,500)	\$ 12,307,200	\$ 1,751,900	\$ 3,391,300	\$ 3,984,000	\$ 1,379,300	\$ (900)	\$ 3,428,800

**COMPASS HEALTH, INC. AND SUBSIDIARY**  
**SUPPLEMENTARY INFORMATION**

**CONSOLIDATING STATEMENTS OF OPERATIONS AND SHAREHOLDER'S EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

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

	AGCC	BCC	CDF	CHI	DCC	MVHC	SLPA	SLTC	TPY	VHHC
<b>REVENUES:</b>										
Net patient service revenue	\$ 11,064,000	\$ 10,935,800	\$ -	\$ -	\$ 6,474,800	\$ 13,998,800	\$ 9,342,900	\$ 901,500	\$ 3,901,300	\$ 8,494,800
Net residential board and care revenue	-	-	4,540,200	-	-	-	-	-	-	-
Net other revenue	149,100	173,300	-	231,500	118,800	201,200	103,400	2,300	47,000	135,200
Management fees	(626,000)	(595,400)	(227,900)	4,260,800	(366,900)	(785,400)	(539,300)	(64,100)	(404,600)	(483,200)
<b>Total revenues</b>	<b>10,587,100</b>	<b>10,513,700</b>	<b>4,312,300</b>	<b>4,492,300</b>	<b>6,226,700</b>	<b>13,414,600</b>	<b>8,907,000</b>	<b>839,700</b>	<b>3,543,700</b>	<b>8,146,800</b>
<b>EXPENSES:</b>										
Nursing services	4,954,900	5,223,500	1,283,000	133,700	2,957,000	7,167,900	4,221,700	461,900	-	4,068,300
Plant operations and maintenance	376,300	708,200	486,000	46,400	354,500	529,800	507,600	84,700	-	441,400
Housekeeping and laundry	422,400	550,600	171,200	-	305,200	528,400	409,400	25,100	-	324,600
Dietary	1,093,200	1,168,900	749,900	8,600	641,900	1,177,300	895,100	64,500	-	806,900
Social services and activities	419,800	287,200	234,100	-	152,600	350,500	121,000	-	-	91,800
Education	65,600	103,000	-	5,400	84,800	215,700	84,700	-	-	59,000
General and administrative	2,513,700	2,792,600	1,436,000	4,956,700	1,679,900	3,611,900	2,615,000	629,900	452,600	2,609,700
Interest expense	-	-	-	2,000	-	-	-	-	-	10,400
Pharmacy	237,000	228,900	-	-	116,400	368,800	201,000	53,300	-	192,700
Laboratory	26,200	24,500	-	-	9,400	35,700	21,300	2,100	-	21,000
X-ray	28,800	18,400	-	-	12,800	27,300	25,200	9,100	-	18,000
<b>Total expenses</b>	<b>10,137,900</b>	<b>11,104,800</b>	<b>4,360,200</b>	<b>5,152,800</b>	<b>6,314,500</b>	<b>14,013,300</b>	<b>9,102,000</b>	<b>1,330,600</b>	<b>452,600</b>	<b>8,643,800</b>
<b>INCOME BEFORE INCOME TAX PROVISION</b>	<b>449,200</b>	<b>(591,100)</b>	<b>(47,900)</b>	<b>(660,500)</b>	<b>(87,800)</b>	<b>(598,700)</b>	<b>(195,000)</b>	<b>(490,900)</b>	<b>3,091,100</b>	<b>(497,000)</b>
<b>INCOME TAX PROVISION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,600)</b>
<b>NET INCOME</b>	<b>449,200</b>	<b>(591,100)</b>	<b>(47,900)</b>	<b>(665,000)</b>	<b>(87,800)</b>	<b>(598,700)</b>	<b>(195,000)</b>	<b>(490,900)</b>	<b>3,091,100</b>	<b>(509,600)</b>
<b>DISTRIBUTIONS TO SHAREHOLDER</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,465,600)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INTERCOMPANY TRANSFERS</b>	<b>74,800</b>	<b>3,220,200</b>	<b>(2,678,500)</b>	<b>1,924,300</b>	<b>1,242,300</b>	<b>623,800</b>	<b>76,800</b>	<b>1,085,500</b>	<b>(3,171,700)</b>	<b>(1,494,600)</b>
<b>RETAINED EARNINGS (DEFICIENCY), beginning of year</b>	<b>\$ 39,000</b>	<b>\$ 32,531,700</b>	<b>\$ (30,973,900)</b>	<b>\$ 5,839,900</b>	<b>\$ 189,800</b>	<b>\$ 563,000</b>	<b>\$ 761,900</b>	<b>\$ 237,900</b>	<b>\$ (659,700)</b>	<b>\$ 4,605,900</b>
<b>RETAINED EARNINGS (DEFICIENCY), end of year</b>	<b>\$ 563,000</b>	<b>\$ 35,160,800</b>	<b>\$ (33,700,300)</b>	<b>\$ 4,633,600</b>	<b>\$ 1,344,300</b>	<b>\$ 588,100</b>	<b>\$ 643,700</b>	<b>\$ 832,500</b>	<b>\$ (740,300)</b>	<b>\$ 2,601,700</b>

**COMPASS HEALTH, INC. AND SUBSIDIARY**  
**SUPPLEMENTARY INFORMATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS – DIRECT METHOD**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
**SEE INDEPENDENT AUDITORS’ REPORT ON SUPPLEMENTARY INFORMATION**

<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>	
Cash received from patients and third-party payers	\$ 71,866,300
Other cash received	500,900
Cash paid for operating expenses	(28,841,200)
Cash paid to employees	(41,666,200)
Interest received	353,400
Interest paid	(12,400)
Income taxes paid	<u>(102,700)</u>
Net cash provided by operating activities	<u>2,098,100</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>	
Purchase of plant, property, and equipment	<u>(368,500)</u>
Net cash (used in) investing activities	<u>(368,500)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>	
(Principal payments on) long-term debt	(242,100)
Distributions to shareholder	<u>(2,465,600)</u>
Net cash (used in) financing activities	<u>(2,707,700)</u>
Net change in cash, cash equivalents, and restricted cash	(978,100)
Cash, cash equivalents, and restricted cash at beginning of year	<u>6,814,300</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 5,836,200</u>

**COMPASS HEALTH, INC. AND SUBSIDIARY**

**SUPPLEMENTARY INFORMATION**

**BALANCE SHEETS**

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

**DECEMBER 31, 2023**

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

	AGCC	WYND	Total
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ (23,900)	\$ (900)	\$ (24,800)
Accounts receivable, net	1,697,900	(6,400)	1,691,500
Supplies	-	3,200	3,200
Prepaid expenses	141,000	7,900	148,900
Due from related parties, net	700	-	700
Total current assets	1,815,700	3,800	1,819,500
PLANT, PROPERTY, AND EQUIPMENT, net	115,700	-	115,700
DEPOSITS AND OTHER ASSETS	18,000	-	18,000
OPERATING LEASE RIGHT-OF-USE ASSETS	3,055,300	7,184,400	10,239,700
Total assets	\$ 5,004,700	\$ 7,188,200	\$ 12,192,900
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 202,700	\$ 41,800	\$ 244,500
Accrued compensation and related expenses	1,182,800	129,500	1,312,300
Current portion of operating lease liabilities	496,400	178,200	674,600
Total current liabilities	1,881,900	349,500	2,231,400
OPERATING LEASE LIABILITIES, net of current portion	2,558,900	7,006,200	9,565,100
Total liabilities	4,440,800	7,355,700	11,796,500
COMMITMENTS AND CONTINGENCIES	-	-	-
<b>SHAREHOLDER'S EQUITY:</b>			
Common stock, no par value	900	-	900
Retained earnings (deficiency)	563,000	(167,500)	395,500
Total shareholder's equity	563,900	(167,500)	396,400
Total liabilities and shareholder's equity	\$ 5,004,700	\$ 7,188,200	\$ 12,192,900



**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, 2023**

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

	AGCC	WYND	Total
<b>REVENUES:</b>			
Net patient service revenue	\$ 11,064,000	\$ -	\$ 11,064,000
Net residential board and care revenue	-	3,414,200	3,414,200
Net other revenue	149,100	-	149,100
Management fees	(626,000)	(168,000)	(794,000)
Total revenues	10,587,100	3,246,200	13,833,300
<b>EXPENSES:</b>			
Nursing services	4,954,900	812,900	5,767,800
Plant operations and maintenance	376,300	243,800	620,100
Housekeeping and laundry	422,400	176,900	599,300
Dietary	1,093,200	547,800	1,641,000
Social services and activities	419,800	146,000	565,800
Education	65,600	-	65,600
General and administrative	2,513,700	1,081,400	3,595,100
Pharmacy	237,000	-	237,000
Laboratory	26,200	-	26,200
X-ray	28,800	-	28,800
Total expenses	10,137,900	3,008,800	13,146,700
INCOME BEFORE INCOME TAX PROVISION	449,200	237,400	686,600
INCOME TAX PROVISION	-	-	-
NET INCOME	449,200	237,400	686,600
INTERCOMPANY TRANSFERS	74,800	(565,500)	(490,700)
RETAINED EARNINGS, beginning of year	\$ 39,000	\$ 160,600	\$ 199,600
RETAINED EARNINGS (DEFICIENCY), end of year	\$ 563,000	\$ (167,500)	\$ 395,500

**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, 2023**  
**SEE INDEPENDENT AUDITORS’ REPORT ON SUPPLEMENTARY INFORMATION**

<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>	
Cash received from patients and third-party payers	\$ 14,013,700
Other cash received	149,100
Cash paid for operating expenses	(6,909,200)
Cash paid to employees	<u>(7,088,900)</u>
Net cash provided by operating activities	<u>164,700</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>	
Purchase of plant, property, and equipment	<u>(8,000)</u>
Net cash (used in) investing activities	<u>(8,000)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>	
Intercompany transfers	<u>(490,400)</u>
Net cash (used in) financing activities	<u>(490,400)</u>
Net change in cash, cash equivalents, and restricted cash	(333,700)
Cash, cash equivalents, and restricted cash at beginning of year	<u>308,900</u>
Cash (overdraft), cash equivalents, and restricted cash at end of year	\$ <u><u>(24,800)</u></u>

**COMPASS HEALTH, INC. AND SUBSIDIARY**

**SUPPLEMENTARY INFORMATION**

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

**DECEMBER 31, 2023**

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

	BCC	CDF	Total
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 25,900	\$ 400	\$ 26,300
Restricted cash	194,400	-	194,400
Accounts receivable, net	1,268,900	6,200	1,275,100
Prepaid expenses	153,000	18,900	171,900
Due from related parties, net	34,161,300	(34,161,300)	-
Total current assets	35,803,500	(34,135,800)	1,667,700
PLANT, PROPERTY, AND EQUIPMENT, net	449,600	687,300	1,136,900
OPERATING LEASE RIGHT-OF-USE ASSETS	2,981,300	-	2,981,300
Total assets	\$ 39,234,400	\$ (33,448,500)	\$ 5,785,900
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 196,400	\$ 65,900	\$ 262,300
Accrued compensation and related expenses	678,000	182,000	860,000
Security deposits and other liabilities	187,900	3,900	191,800
Current portion of operating lease liabilities	1,848,600	-	1,848,600
Total current liabilities	2,910,900	251,800	3,162,700
OPERATING LEASE LIABILITIES, net of current portion	1,132,700	-	1,132,700
Total liabilities	4,043,600	251,800	4,295,400
COMMITMENTS AND CONTINGENCIES	-	-	-
<b>SHAREHOLDER'S EQUITY:</b>			
Common stock, no par value	30,000	-	30,000
Retained earnings (deficiency)	35,160,800	(33,700,300)	1,460,500
Total shareholder's equity (deficiency)	35,190,800	(33,700,300)	1,490,500
Total liabilities and shareholder's equity (deficiency)	\$ 39,234,400	\$ (33,448,500)	\$ 5,785,900

**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, 2023**

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

	BCC	CDF	Total
<b>REVENUES:</b>			
Net patient service revenue	\$ 10,935,800	\$ -	\$ 10,935,800
Net residential board and care revenue	-	4,540,200	4,540,200
Net other revenue	173,300	-	173,300
Management fees	<u>(595,400)</u>	<u>(227,900)</u>	<u>(823,300)</u>
Total revenues	<u>10,513,700</u>	<u>4,312,300</u>	<u>14,826,000</u>
<b>EXPENSES:</b>			
Nursing services	5,222,500	1,283,000	6,505,500
Plant operations and maintenance	708,200	486,000	1,194,200
Housekeeping and laundry	550,600	171,200	721,800
Dietary	1,168,900	749,900	1,918,800
Social services and activities	287,200	234,100	521,300
Education	103,000	-	103,000
General and administrative	2,792,600	1,436,000	4,228,600
Pharmacy	228,900	-	228,900
Laboratory	24,500	-	24,500
X-ray	<u>18,400</u>	<u>-</u>	<u>18,400</u>
Total expenses	<u>11,104,800</u>	<u>4,360,200</u>	<u>15,465,000</u>
INCOME BEFORE INCOME TAX PROVISION	(591,100)	(47,900)	(639,000)
INCOME TAX PROVISION	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME	(591,100)	(47,900)	(639,000)
INTERCOMPANY TRANSFERS	3,220,200	(2,678,500)	541,700
RETAINED EARNINGS (DEFICIENCY), beginning of year	\$ <u>32,531,700</u>	\$ <u>(30,973,900)</u>	\$ <u>1,557,800</u>
RETAINED EARNINGS (DEFICIENCY), end of year	\$ <u><u>35,160,800</u></u>	\$ <u><u>(33,700,300)</u></u>	\$ <u><u>1,460,500</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, 2023**

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

<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>	
Cash received from patients and third-party payers	\$ 15,739,200
Other cash received	179,600
Cash paid for operating expenses	(8,554,400)
Cash paid to employees	(7,632,800)
Interest received	<u>6,700</u>
Net cash (used in) operating activities	<u>(261,700)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>	
Purchase of plant, property, and equipment	<u>(20,600)</u>
Net cash (used in) investing activities	<u>(20,600)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>	
Intercompany transfers	<u>541,800</u>
Net cash provided by financing activities	<u>541,800</u>
Net change in cash, cash equivalents, and restricted cash	259,500
Cash, cash equivalents, and restricted cash at beginning of year	<u>(38,800)</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 220,700</u>

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

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	84
[2]	Number at end of fiscal year	91
[3]	Total Lines 1 and 2	175
[4]	Multiply Line 3 by ".50" and enter result on Line 5	x .50
[5]	Mean number of continuing care resident	87.5
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	169
[7]	Number at end of fiscal year	164
[8]	Total Lines 6 and 7	333
[9]	Multiply Line 8 by ".50" and enter result on Line 10	x .50
[10]	Mean number of <i>all</i> residents	166.5
[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).	0.53

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

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$15,465,000
[a]	Depreciation	\$178,331
[b]	Debt Service (Interest Only)	\$0
[2]	Subtotal (add Line 1a and 1b)	\$178,331
[3]	Subtract Line 2 from Line 1 and enter result	\$15,286,669
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	53%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$8,033,535
[6]	<b>Total Amount Due</b> (multiply Line 5 by .001)	x .001 \$8,034

**PROVIDER:** Compass Health, Inc.  
**COMMUNITY:** Bayside Care Center and Casa de Flores

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

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	53
[2]	Number at end of fiscal year	54
[3]	Total Lines 1 and 2	107
[4]	Multiply Line 3 by ".50" and enter result on Line 5	x .50
[5]	Mean number of continuing care resident	53.5
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	133
[7]	Number at end of fiscal year	134
[8]	Total Lines 6 and 7	267
[9]	Multiply Line 8 by ".50" and enter result on Line 10	x .50
[10]	Mean number of <i>all</i> residents	133.5
[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).	0.40

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

<u>Line</u>	<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only) <span style="float: right;">\$13,146,700</span>
[a]	Depreciation <span style="float: right;">\$38,596</span>
[b]	Debt Service (Interest Only) <span style="float: right;">\$0</span>
[2]	Subtotal (add Line 1a and 1b) <span style="float: right;">\$38,596</span>
[3]	Subtract Line 2 from Line 1 and enter result <span style="float: right;">\$13,108,104</span>
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11) <span style="float: right;">40%</span>
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) <span style="float: right;">\$5,253,060</span>
[6]	<b>Total Amount Due</b> (multiply Line 5 by .001) <span style="float: right;">\$5,253</span>

**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	\$242,061	\$10,409	\$0	\$252,471
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
		<b>TOTAL:</b>	\$10,409	\$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**

Line	TOTAL
1 Total from Form 5-1 bottom of Column (e)	\$252,471
2 Total from Form 5-2 bottom of Column (e)	\$0
3 Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$929,788
4 <b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<b>\$1,182,259</b>

**PROVIDER:** Compass Health, Inc.

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$15,465,000
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$0
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$0
c.	Depreciation	\$178,331
d.	Amortization	\$0
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$11,082,871
f.	Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$11,261,202
4	Net Operating Expenses	\$4,203,798
5	Divide Line 4 by 365 and enter the result.	\$11,517
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.	<u>\$863,775</u>

**PROVIDER:** Compass Health, Inc.

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

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$13,146,700
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$0
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$0
c.	Depreciation	\$38,596
d.	Amortization	\$0
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$12,418,155
f.	Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$12,456,751
4	Net Operating Expenses	\$689,949
5	Divide Line 4 by 365 and enter the result.	\$1,890
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.	<u>\$141,750</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: 12/31/2023

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2023 and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$1,182,259
[2] Operating Expense Reserve Amount	\$1,005,525
[3] <b>Total Liquid Reserve Amount:</b>	<b>\$2,187,784</b>

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

<u>Qualifying Asset Description</u>	<u>Amount (market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	\$4,636,275	\$1,005,525
[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)		
<b>Total Amount of Qualifying Assets Listed for Reserve Obligation:</b> [11]	\$4,636,275 [12]	\$1,005,525
<b>Reserve Obligation Amount:</b> [13]	\$1,182,259 [14]	\$1,005,525
<b>Surplus/(Deficiency):</b> [15]	\$3,454,016 [16]	\$0

Signature:

\_\_\_\_\_  
 (Authorized Representative)

Date: \_\_\_\_\_

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

Provider Name: COMPASS HEALTH, INC.  
Fiscal Year End: 12/31/2023

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

**Total Qualifying Assets as Filed:**

Cash and Cash Equivalents	\$5,641,800
Line of Credit	
Other	\$0
Less Funds Reserved for Specific Designations	\$0
Total Qualifying Assets as Filed	<u><u>\$5,641,800</u></u>

---

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

Per Capita Cost of Operations Operating Expenses (Form 5-4 (1) line #1)	15,465,000
Mean # of All Residents (Form 1-1 line #10)	166.5
Per Capita Cost of Operations	<u><u>92,883</u></u>

\*\* 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: 12/31/2023

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

**Total Qualifying Assets as Filed:**

Cash and Cash Equivalents	\$5,641,800
Line of Credit	
Other	\$0
Less Funds Reserved for Specific Designations	\$0
Total Qualifying Assets as Filed	<u><u>\$5,641,800</u></u>

---

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

Per Capita Cost of Operations Operating Expenses (Form 5-4 (2) line #1) 13,146,700

Mean # of All Residents (Form 1-1 (2) line #10) 133.5

Per Capita Cost of Operations 98,477

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

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

Reconciliation to Audited Financial Statement

Form 1-2, Line 1a - Reconciliation

Account Detail	BCC	CDF
SNF - General & Admir	1,468,796	
RCF General & Admi		543,849
SNF Depreciation & Amortizatio	87,475	
RCF Depreciation & Amortizatio		90,856
SNF - Leases & Rental:	1,090,832	
RCF - Leases & Rental		720,541
SNF - Property Taxes	47,807	
RCF - Property Taxes:		29,301
SNF - Property Insurance	68,604	
RCF - Property Insurance		51,471
SNF - Misc		
RCF - Misc		
Patient Supplie	1,779	
Priv Other Ancillaries 7300.4	3,336	
Mcare Other Ancillaries 7300.4		
Mcal Other Ancillaries 7300.4	23,957	
<b>Total General &amp; Administrative Cos</b>	<b>2,792,586</b>	<b>1,436,018</b>
		Ties to Audited FS pg. 24 line 12 under BCC & CDF respecth
From Audited FS pg 2:		
SNF Depreciation & Amortizatio	87,475	
RCF Depreciation & Amortizatio	90,856	
<b>Total Depreciation from FS</b>	<b>178,331</b>	<b>Ties to Form 1-2 Line 1a</b>

Form 5-1 Reconciliation

Account Detail	VHHC
Principal Paid During Fiscal Yea	242,100
	Form 5-1 Column 1l
	\$242,100 ties to the current portion under 2022 on Audited, pg. 17, Note 7- Long Term Debt.
Interest Expense related to long term debt	10,409
	Form 5-1 Column 1:
	10,409
	Ties to Audited FS pg. 24, line 12 under VHI



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

Form 5-3 Line 3 - Reconciliation

Account Detail	Consolidated	
SNF - General & Adm	17,061,249	
RCF General & Admi	1,028,192	
SNF Depreciation & Amortizatio	430,626	
RCF Depreciation & Amortizatio	90,856	
SNF - Leases & Rental:	3,553,978	
RCF - Leases & Rental	1,289,069	
SNF - Property Taxes	305,025	
RCF - Property Taxes	29,301	
SNF - Property Insurance	337,252	
RCF - Property Insurance	72,805	
SNF - Misc	-	
RCF - Misc	13,700	
Patient Supplie	38,729	
Priv Other Ancillarie	21,465	
Mcare Other Ancillarie	1,994	
Mcal Other Ancillarie	105,273	
Total General & Administrative Cos	24,379,514	Ties to Audited F5 pg. 24 line 12 under To
SNF - Leases & Rental:	3,464,407	
Lease - Building	9,950	RCFE - Leases & Rental
Lease - Equipment	79,621	Lease - Building
Lease - Autc	3,553,978	Lease - Equipment
		Lease - Autc
		1,282,528
		541
		6,000
		1,289,069
		Ties to RCF Leases & Rentals Abov
SNF Leases - Building	639,109	
AGCC	-	
ALTC	-	
BCC	1,080,000	
CHI	192,222	
MVHC	771,756	
SLPA	470,391	
SLTC	310,929	
	3,464,407	
SNF Leases - Building	3,464,407	
RCFE Leases - Building	1,282,528	
Total SNF & RCF Building Lease	4,746,935	
Deferred Rent		
	4,746,935	
Less Portion Paid to Related Part	(3,817,147)	
(Not applicable to long-term debt		
Facility Leasehold/Rental Payment	929,788	Ties to Form 5-3 line

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

Form 5-4 (1) Lines 1 2(c) & 2(e) - Reconciliation	
<b>Total Operating Expense (BCC &amp; CD)</b>	15,465,000 Form 5-4 (1) Line 1
BCC Total Expense	11,104,800 Audited FS pg. 24, line 17 under BC
CDF Total Expense:	4,360,200 Audited FS pg. 24, line 17 under CD
	<b>15,465,000 Ties to Form 5-4 (1) Line</b>
Variance	-
<b>Depreciator</b>	<b>178,331 Form 5-4 (1) Line 2c</b> See Form 5-1 Reconciliation Above. Ties to Audited FS pg. 24, line
	Revenue from Persons not under CCRC Contra
	See separate reconciliation to Consolidated Statement of Cash Flows (Direct Meth

x

x

x

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

Reconciliation to Audited Financial Statements

Form 1-2, Line 1a - Reconciliation

Account Detail	AGCC	WYND
SNF - General & Admi	1,700,592	
RCF General & Admi		477,885
SNF Depreciation & Amortizatio	38,596	
RCF Depreciation & Amortizatio		-
SNF - Leases & Rental	640,123	
RCF - Leases & Rental		568,528
SNF - Property Taxes	52,615	
RCF - Property Taxes		-
SNF - Property Insurance	52,901	
RCF - Property Insurance		21,334
SNF - Misc	-	
RCF - Misc		13,700
Patient Supplie	4,027	
Priv Other Ancillaries 7300.4	2,540	
Mcare Other Ancillaries 7300.4	728	
Mcal Other Ancillaries 7300.4	21,556	
Total General & Administrative Cos	2,513,678	1,081,447
		Ties to Audited FS pg. 24 line 12 under AGCC & Wynd respecth
From Audited FS pg 2:		
SNF Depreciation & Amortizatio	38,596	
RCF Depreciation & Amortizatio		-
Total Depreciation from FS	38,596	
		Ties to Form 1-2 Line 1a

**Form 5-4 (2) Lines 1, 2(c) & 2(e) - Reconciliation**

<b>Total Operating Expense (AGCC &amp; WYND)</b>	13,146,700	Form 5-4 (2) Line 1
AGCC Total Expense	10,137,900	Audited FS pg. 24, line 17 under AGC
WYND Total Expense:	3,008,800	Audited FS pg. 24, line 17 under Wyr
	<b>13,146,700</b>	<b>Ties to Form 5-4 (2) Line</b>
Variance	-	
<b>Depreciator</b>	<b>38,596</b>	<b>Form 5-4 (2) Line 2c</b> See Form 5-1 Reconciliation Above. Ties to Audited FS pg. 24, line
		AGCC Revenue from Persons not under CGRC Contr:
		See separate reconciliation to Consolidated Statement of Cash Flows (Direct Meth

## Reconciliation of Revenue to Consolidated Statement of Cash Flows

12,418,155.00	AGCC/WYD non-CCRC Revenue (A7 + A26)
Ties to Form 5-4 (2) line 2 ( e )	
125,793.00	AGCC CCRC Revenue
12,283,627.00	AGCC Non-CCRC Revenue
12,409,420.00	AGCC Room & Board Revenue
12,409,420.00	AGCC Room & Board
128,510.00	AGCC Other Rev + Contractual Adj.
12,537,930.00	AGCC Revenue
3,279,633.00	WYN CCRC Revenue
134,528.00	Non-CCRC
3,414,161.00	WYND Room & Board Revenue

11,082,871.00	BCC/CDF non-CCRC Revenue (H19 + H26)
Ties to Form 5-4 (1) line 2 ( e )	
868,876.00	BCC CCRC Revenue
10,942,856.00	BCC Non-CCRC Revenue
11,811,732.00	BCC Room & Board Revenue
11,811,732.00	BCC Room & Board
143,977.00	BCC Other Rev + Contractual Adj.
11,955,709.00	BCC Revenue
4,405,360.00	CCRC
140,015.00	Non-CCRC
4,545,375.00	CDF Room & Board Revenue

11,955,709.00	BCC Revenue
12,537,930.00	AGCC Revenue
44,947,308.00	Other SNFS
69,440,947.00	SNF Revenues

4,545,375.00	CDF Revenue
3,414,161.00	WYND Revenue
25.00	Other Facility
7,959,561.00	RESIDENTIAL & BOARD & CARE

69,440,947.00	SNF Revenues
7,959,561.00	RCFE Revenues
(4,191,570.00)	Less Therapy Revenues
73,208,938.00	2023 Revenues

73,208,938.00	2023 SNF + RCFE Revenues + Therapy Revenues
7,236,215.00	2022 Ending AR
(8,578,847.00)	Less 2023 AR
<b>71,866,300.00</b>	<b>Ties to Cash Received from patients and third-party payers from Statement of Cash Flows - Direct Method (page 25 audited FS)</b>

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

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	84
[2]	Number at end of fiscal year	91
[3]	Total Lines 1 and 2	175
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	87.5
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	169
[7]	Number at end of fiscal year	164
[8]	Total Lines 6 and 7	333
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	166.5
[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).	0.53

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

<u>Line</u>	<u>TOTAL</u>
[1]	\$15,465,000
[a]	\$178,331
[b]	\$0
[2]	\$178,331
[3]	\$15,286,669
[4]	53%
[5]	\$8,033,535
	x .001
[6]	\$8,034

**PROVIDER:** Compass Health, Inc.  
**COMMUNIT** Bayside Care Center and Casa de Flores

**FORM 1-1  
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	53
[2]	Number at end of fiscal year	54
[3]	Total Lines 1 and 2	107
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	53.5
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	133
[7]	Number at end of fiscal year	134
[8]	Total Lines 6 and 7	267
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	133.5
[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).	0.40

**FORM 1-2  
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$13,146,700
[a]	Depreciation	\$38,596
[b]	Debt Service (Interest Only)	\$0
[2]	Subtotal (add Line 1a and 1b)	\$38,596
[3]	Subtract Line 2 from Line 1 and enter result.	\$13,108,104
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	40%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$5,253,060
[6]	<b>Total Amount Due</b> (multiply Line 5 by .001)	x .001 \$5,253

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	\$242,061	\$10,409	\$0	\$252,471
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>					\$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>\$929,788</u>
4	<b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<u><u>\$1,182,259</u></u>

**PROVIDER:** Compass Health, Inc.

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$15,465,000
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$0
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$0
c.	Depreciation	\$178,331
d.	Amortization	\$0
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$11,082,871
f.	Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$11,261,202
4	Net Operating Expenses	\$4,203,798
5	Divide Line 4 by 365 and enter the result.	\$11,517
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.	<u>\$863,775</u>

**PROVIDER:** Compass Health, Inc.

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

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$13,146,700
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$0
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$0
	c. Depreciation	\$38,596
	d. Amortization	\$0
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$12,418,155
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$12,456,751
4	Net Operating Expenses	\$689,949
5	Divide Line 4 by 365 and enter the result.	\$1,890
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.	<u>\$141,750</u>

**PROVIDER:** Compass Health, Inc.

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



Provider Name: COMPASS HEALTH, INC.  
Fiscal Year End: 12/31/2023

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

**Total Qualifying Assets as Filed:**

Cash and Cash Equivalents	\$4,636,275
Line of Credit	
Other	\$0
Less Funds Reserved for Specific Designations	\$0
Total Qualifying Assets as Filed	<u><u>\$4,636,275</u></u>

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

Per Capita Cost of Operations Operating  
Expenses (Form 5-4 (2) line #1) 13,146,700

Mean # of All Residents (Form 1-1 (2) line #10) 133.5

Per Capita Cost of Operations 98,477

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

Reconciliation to Audited Financial Statements

Form 1-2, Line 1a - Reconciliation

Account Detail	BCC	CDF	
SNF - General & Admin	1,468,796		
RCF General & Admin		543,849	
SNF Depreciation & Amortization	87,475		
RCF Depreciation & Amortization		90,856	
SNF - Leases & Rentals	1,090,832		
RCF - Leases & Rentals		720,541	
SNF - Property Taxes	47,807		
RCF - Property Taxes		29,301	
SNF - Property Insurance	68,604		
RCF - Property Insurance		51,471	
SNF - Misc	-		
RCF - Misc		-	
Patient Supplies	1,779		
Priv Other Ancillaries 7300.45	3,336		
Mcare Other Ancillaries 7300.46	-		
Mcal Other Ancillaries 7300.47	23,957		
<b>Total General &amp; Administrative Costs</b>	<b>2,792,586</b>	<b>1,436,018</b>	<b>Ties to Audited FS pg. 24 line 12 under BCC &amp; CDF respectively</b>
From Audited FS pg 24			
SNF Depreciation & Amortization	87,475		
RCF Depreciation & Amortization	90,856		
<b>Total Depreciation from FS</b>	<b>178,331</b>		<b>Ties to Form 1-2 Line 1a.</b>

Form 5-1 Reconciliation

Account Detail	VHHC	
Principal Paid During Fiscal Year	242,100	Form 5-1 Column 1b \$242,100 ties to the current portion under 2022 on Audited, pg. 17, Note 7- Long Term Debt.
Interest Expense related to long term debtVHHC	10,409	Form 5-1 Column 1c
	10,409	Ties to Audited FS pg. 24, line 12 under VHHC

Form 5-3 Line 3 - Reconciliation

Account Detail	Consolidated		
SNF - General & Admin	17,061,249		
RCF General & Admin	1,028,192		
SNF Depreciation & Amortization	430,626		
RCF Depreciation & Amortization	90,856		
SNF - Leases & Rentals	3,553,978		
RCF - Leases & Rentals	1,289,069		
SNF - Property Taxes	305,025		
RCF - Property Taxes	29,301		
SNF - Property Insurance	337,252		
RCF - Property Insurance	72,805		
SNF - Misc	-		
RCF - Misc	13,700		
Patient Supplies	38,729		
Priv Other Ancillaries	21,465		
Mcare Other Ancillaries	1,994		
Mcal Other Ancillaries	105,273		
<b>Total General &amp; Administrative Costs</b>	<b>24,379,514</b>	Ties to Audited FS pg. 24 line 12 under Total	
<b>SNF - Leases &amp; Rentals</b>		<b>RCFE - Leases &amp; Rentals</b>	
Lease - Buildings	3,464,407	Lease - Buildings	1,282,528
Lease - Equipment	9,950	Lease - Equipment	541
Lease - Auto	79,621	Lease - Auto	6,000
	3,553,978		1,289,069
		Ties to RCF Leases & Rentals Above	
Ties to SNF Leases & Rentals Above			
<b>SNF Leases - Buildings</b>		<b>RCFE Leases - Buildings</b>	
AGCC	639,109	CDF	720,000
ALTC	-	Wynd	562,528
BCC	1,080,000		1,282,528
CHI	192,222		
MVHC	771,756		
SLPA	470,391		
SLTC	310,929		
	3,464,407		
SNF Leases - Buildings	3,464,407		
RCFE Leases - Buildings	1,282,528		
<b>Total SNF &amp; RCF Building Leases</b>	<b>4,746,935</b>		
<b>Deferred Rent</b>			
	4,746,935		
Less Portion Paid to Related Parties (Not applicable to long-term debt)	(3,817,147)		
<b>Facility Leasehold/Rental Payments</b>	<b>929,788</b>	Ties to Form 5-3 line 3	

x



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

Reconciliation to Audited Financial Statements

**Form 1-2, Line 1a - Reconciliation**

Account Detail	AGCC	WYND	
SNF - General & Admin	1,700,592		
RCF General & Admin		477,885	
SNF Depreciation & Amortization	38,596		
RCF Depreciation & Amortization		-	
SNF - Leases & Rentals	640,123		
RCF - Leases & Rentals		568,528	
SNF - Property Taxes	52,615		
RCF - Property Taxes		-	
SNF - Property Insurance	52,901		
RCF - Property Insurance		21,334	
SNF - Misc	-		
RCF - Misc		13,700	
Patient Supplies	4,027		
Priv Other Ancillaries 7300.45	2,540		
Mcal Other Ancillaries 7300.46	728		
Mcal Other Ancillaries 7300.47	21,556		
<b>Total General &amp; Administrative Costs</b>	<b>2,513,678</b>	<b>1,081,447</b>	<b>Ties to Audited FS pg. 24 line 12 under AGCC &amp; Wynd respectively</b>
From Audited FS pg 22			
SNF Depreciation & Amortization	38,596		
RCF Depreciation & Amortization	-		
<b>Total Depreciation from FS</b>	<b>38,596</b>		<b>Ties to Form 1-2 Line 1a.</b>

**Form 5-4 (2) Lines 1, 2(c) & 2(e) - Reconciliation**

<b>Total Operating Expense (AGCC &amp; WYND)</b>	13,146,700	Form 5-4 (2) Line 1
AGCC Total Expenses	10,137,900	Audited FS pg. 24, line 17 under AGCC
WYND Total Expenses	3,008,800	Audited FS pg. 24, line 17 under Wynd
	<u>13,146,700</u>	<b>Ties to Form 5-4 (2) Line 1</b>
Variance	-	
<b>Depreciation</b>	<b>38,596</b>	<b>Form 5-4 (2) Line 2c</b> See Form 5-1 Reconciliation Above. Ties to Audited FS pg. 24, line 12
<hr/> <hr/>		
AGCC Revenue from Persons not under CCRC Contract		
<hr/> <hr/>		
See separate reconciliation to Consolidated Statement of Cash Flows (Direct Method)		

## Reconciliation of Revenue to Consolidated Statement of Cash Flows

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"><b>12,418,155.00</b></td> <td><b>AGCC/WYD non-CCRC Revenue (A7 + A26)</b></td> </tr> <tr> <td colspan="2" style="text-align: center;">Ties to Form 5-4 (2) line 2 ( e )</td> </tr> <tr> <td>125,793.00</td> <td>AGCC CCRC Revenue</td> </tr> <tr> <td><b>12,283,627.00</b></td> <td><b>AGCC Non-CCRC Revenue</b></td> </tr> <tr> <td><b>12,409,420.00</b></td> <td><b>AGCC Room &amp; Board Revenue</b></td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td>12,409,420.00</td> <td>AGCC Room &amp; Board</td> </tr> <tr> <td>128,510.00</td> <td>AGCC Other Rev + Contractual Adj.</td> </tr> <tr> <td><b>12,537,930.00</b></td> <td><b>AGCC Revenue</b></td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td>3,279,633.00</td> <td>WYN CCRC Revenue</td> </tr> <tr> <td>134,528.00</td> <td>Non-CCRC</td> </tr> <tr> <td><b>3,414,161.00</b></td> <td><b>WYND Room &amp; Board Revenue</b></td> </tr> </table>	<b>12,418,155.00</b>	<b>AGCC/WYD non-CCRC Revenue (A7 + A26)</b>	Ties to Form 5-4 (2) line 2 ( e )		125,793.00	AGCC CCRC Revenue	<b>12,283,627.00</b>	<b>AGCC Non-CCRC Revenue</b>	<b>12,409,420.00</b>	<b>AGCC Room &amp; Board Revenue</b>			12,409,420.00	AGCC Room & Board	128,510.00	AGCC Other Rev + Contractual Adj.	<b>12,537,930.00</b>	<b>AGCC Revenue</b>			3,279,633.00	WYN CCRC Revenue	134,528.00	Non-CCRC	<b>3,414,161.00</b>	<b>WYND Room &amp; Board Revenue</b>		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"><b>11,082,871.00</b></td> <td><b>BCC/CDF non-CCRC Revenue (H19 + H26)</b></td> </tr> <tr> <td colspan="2" style="text-align: center;">Ties to Form 5-4 (1) line 2 ( e )</td> </tr> <tr> <td>868,876.00</td> <td>BCC CCRC Revenue</td> </tr> <tr> <td><b>10,942,856.00</b></td> <td><b>BCC Non-CCRC Revenue</b></td> </tr> <tr> <td><b>11,811,732.00</b></td> <td><b>BCC Room &amp; Board Revenue</b></td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td>11,811,732.00</td> <td>BCC Room &amp; Board</td> </tr> <tr> <td>143,977.00</td> <td>BCC Other Rev + Contractual Adj.</td> </tr> <tr> <td><b>11,955,709.00</b></td> <td><b>BCC Revenue</b></td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td>4,405,360.00</td> <td>CCRC</td> </tr> <tr> <td>140,015.00</td> <td>Non-CCRC</td> </tr> <tr> <td><b>4,545,375.00</b></td> <td><b>CDF Room &amp; Board Revenue</b></td> </tr> </table>	<b>11,082,871.00</b>	<b>BCC/CDF non-CCRC Revenue (H19 + H26)</b>	Ties to Form 5-4 (1) line 2 ( e )		868,876.00	BCC CCRC Revenue	<b>10,942,856.00</b>	<b>BCC Non-CCRC Revenue</b>	<b>11,811,732.00</b>	<b>BCC Room &amp; Board Revenue</b>			11,811,732.00	BCC Room & Board	143,977.00	BCC Other Rev + Contractual Adj.	<b>11,955,709.00</b>	<b>BCC Revenue</b>			4,405,360.00	CCRC	140,015.00	Non-CCRC	<b>4,545,375.00</b>	<b>CDF Room &amp; Board Revenue</b>	
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**Continuing Care Retirement Community  
Disclosure Statement**

Date Prepared: 4/25/24

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 \_\_\_\_\_ # OF  SINGLE  MULTI- MILES TO SHOPPING CTR: 1  
 OPENED: 1995 ACRES: 5.58 STORY \_\_\_\_\_ STORY \_\_\_\_\_  OTHER: Both MILES TO HOSPITAL: 20  
 \*\*\*\*\*

**NUMBER OF UNITS:**

**RESIDENTIAL LIVING**

**HEALTH CARE**

APARTMENTS — STUDIO: \_\_\_\_\_  
 APARTMENTS — 1 BDRM: \_\_\_\_\_  
 APARTMENTS — 2 BDRM: \_\_\_\_\_  
 COTTAGES/HOUSES: \_\_\_\_\_  
 RLU OCCUPANCY (%) AT YEAR END: \_\_\_\_\_

ASSISTED LIVING: 57  
 SKILLED NURSING: 99  
 SPECIAL CARE: \_\_\_\_\_  
 DESCRIPTION: > \_\_\_\_\_  
 OVERALL CCRC OCCUPANCY (%) AT YEAR END: \_\_\_\_\_

**TYPE OF OWNERSHIP:**

NOT-FOR-PROFIT  FOR-PROFIT ACCREDITED?:  YES  NO BY: \_\_\_\_\_

**FORM OF CONTRACT:**

*(Check all that apply)*

CONTINUING CARE  LIFE CARE  ENTRANCE FEE  FEE FOR SERVICE  
 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:**

> Per HSC 1771.8(i)(1), a facility resident participates as a nonvoting resident representative to the facility's governing body. Per HSC 1771.8(i)(2)(A), there currently is not an open seat on the governing body and if a seat opens up on the governing body that seat will be offered to a member of the resident committee.

**FACILITY SERVICES AND AMENITIES**

<b><u>COMMON AREA AMENITIES</u></b>	<b><u>AVAILABLE</u></b>	<b><u>FEE FOR SERVICE</u></b>	<b><u>SERVICES AVAILABLE</u></b>	<b><u>INCLUDED IN FEE</u></b>	<b><u>FOR EXTRA CHARGE</u></b>
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.

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (Excluding amortization of entrance fee income)	76,599,700	71,612,000	70,927,300	73,922,700
<b>LESS OPERATING EXPENSES</b> (Excluding depreciation, amortization, and interest)	64,104,200	61,912,800	65,720,700	73,621,300
<b>NET INCOME FROM OPERATIONS</b>	<u>12,495,500</u>	<u>9,699,200</u>	<u>5,103,200</u>	<u>301,400</u>
<b>LESS INTEREST EXPENSE</b>	43,200	35,200	25,100	12,400
<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>12,452,300</u>	<u>9,664,000</u>	<u>5,078,100</u>	<u>289,000</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)*

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
Symetra Life Insurance Co.	65,200	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**  
*(optional)*

	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>DEBT TO ASSET RATIO</b>	0.0116	0.0015	0.0000
<b>OPERATING RATIO</b>	0.8351	0.9269	0.9961
<b>DEBT SERVICE COVERAGE RATIO</b>	43.07	23.64	12.75
<b>DAYS CASH ON HAND RATIO</b>	126.70	91.89	86.69

\*\*\*\*\*

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

	<u>2020</u>	<u>%</u>	<u>2021</u>	<u>%</u>	<u>2022</u>	<u>%</u>	<u>2023</u>
STUDIO							
ONE BEDROOM							
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING	3,530-8,130	0%	3,830-8,430	10%	4,215-9,270	0%	4,215-9,270
SKILLED NURSING	8,700-12,000	0%	8,700-12,000	0%	8,700-12,000	23%	11,250-18,000
SPECIAL CARE							

\*\*\*\*\*

**COMMENTS FROM PROVIDER:** >

> \_\_\_\_\_  
> \_\_\_\_\_  
> \_\_\_\_\_

**FINANCIAL RATIO FORMULAS**

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

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

**OPERATING RATIO**

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

**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	\$ 4,215 – \$ 9,270	\$8,700 - \$12,000
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	N/A	0% \$4,215 – \$9,270	23% \$11,250 - \$18,000

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, 2023 for Assisted Living (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: 6/26/2023 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: 7/19/2023**
- 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: 6/28/2023**
- 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: 6/28/2023 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



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	0%	\$4,215 to \$9,270
Skilled Nursing Care	23%	\$11,250 to \$18,000

**Assisted Living**

The monthly care fees for the Assisted Living level of care were not increased in F/Y 2023. The Assisted Living census increased in F/Y 2023 and is projected increase by 1% in F/Y 2024.

**Skilled Nursing Care**

The private monthly care fees for Skilled Nursing Care (SNF) were increased in F/Y 2023 by 23%. The SNF census increased in F/Y 2023 and is projected to slightly decrease by 2% in F/Y 2024.

The private pay monthly care fees for SNF Care are tied to the SNF's Medi-Cal rate and must be higher than that rate. A SNFs Medi-Cal rate is set by a methodology outlined in AB1629. In short, DHCS reviews historical expenses and applies inflationary factors to determine a SNFs current Medi-Cal rate. The private pay monthly care fees for SNF care were increased in F/Y 2023 accordingly.

**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 3.5% CPI increase recently published by US Bureau of Labor Statistics and the real cost increases we are seeing on the ground, a 4% increase was applied to the Projected F/Y 2024 Operating Expenses over F/Y 2023 Operating Expenses.

**Form 7-1 Monthly Care Fee Increase (MCFI)  
Annual Reporting Fiscal Year (F/Y) 2023**

Line	Fiscal Years	2022	2023	2024
1	F/Y 2022 Operating Expenses	(12,349,300)		
2	F/Y 2023 Operating Expenses		(13,146,700)	
3	Projected F/Y 2024 Results of Operations			(13,672,568)
4	F/Y 2024 Anticipated MCF Revenue Based on Current and Projected Occupancy <sup>1</sup> and Other without			14,279,581
5	Projected F/Y 2024 (Net) Operating Results without a MCFI			607,013
6	Projected F/Y 2024 Anticipated Revenue Based on Current and Projected Occupancy <sup>1</sup> and Other with MCFI 5% on Assisted Living Monthly Fees			14,451,332
7	Grand Total - Projected F/Y 2024 Net Operating Activiting after MCFI 5% on Assisted Living Monthly			778,764

Audited financials Total Expenses (AGCC+WYN)

Audited financials Total Expenses (AGCC+WYN)

Monthly Care Fee Increase Assisted Living: 5%

Adjustments Explained:

- 1) Projected SNF occupancy based on current census is expected to decrease by 2% from F/Y 2023 to F/Y 2024 and Projected Assisted Living occupancy based on current census is expected to increase 1% over F/Y 2023.
- 2) In F/Y 2023, Assited Living Revenue was 24% of the total MCF Revenue.