MIRAGE CARE LLC AND SKILLED MIRAGE LLC

STATE OF CALIFORNIA DEPARTMENT OF SOCIAL SERVICE

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022

HH

HANSEN HUNTER & CO. P.C.

Certified Public Accountants

ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED: 12/31/2022

PROVIDER(S): Bayshire Rancho Mirage

CCRC(S): Mirage Care LLC and Skilled Mirage LLC

CONTACT PERSON: Jason Parrott

TELEPHONE NO.: 505-414-9008 **EMAIL:** jason@bayshire.com

❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖

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

- [x] Annual Report Checklist.
- [x] Annual Provider Fee in the amount of: $ 10,838
  - [ ] If applicable, late fee in the amount of: $
- [x] Certification by the provider's ***Chief Executive Officer*** that:
  - [x] The reports are correct to the best of his/her knowledge.
  - [x] Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - [x] The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- [x] Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- [x] Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- [x] Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- [x] "Continuing Care Retirement Community Disclosure Statement" for ***each*** community.
- [x] Form 7-1, “Report on CCRC Monthly Service Fees” for ***each*** community.
- [ ] Form 9-1, “Calculation of Refund Reserve Amount”, *if applicable*.
- [x] Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the Provider’s annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

PART 1
ANNUAL PROVIDER FEES

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	89
[2]	Number at end of fiscal year	117
[3]	Total Lines 1 and 2	206
[4]	Multiply Line 3 by ".50" and enter result on Line 5	x.50
[5]	Mean number of continuing care residents	103
	All Residents	
[6]	Number at beginning fiscal year	127
[7]	Number at end of fiscal year	158
[8]	Total Lines 6 and 7	285
[9]	Multiply Line 8 by ".50" and enter result on Line 10	x.50
[10]	Mean number of *all* residents	142.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	72.28%

FORM 1-2
ANNUAL PROVIDER FEE

Line				TOTAL
[1]		Total Operating Expenses (including depreciation and debt service – interest only)		15,010,660
	[a]	Depreciation	$15,546	
	[b]	Debt Service (Interest Only)	$0	
[2]		Subtotal (add Line 1a and 1b)		$15,546
[3]		Subtract Line 2 from Line 1 and enter result		$14,995,114
[4]		Percentage allocated to continuing care residents (Form 1-1, Line 11)		72.28%
[5]		Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)		$10,838,468
				x .001
[6]		**Total Amount Due** (multiply Line 5 by .001)		$10,838

PROVIDER: Bayshire Rancho Mirage
COMMUNITY: Mirage Care LLC and Skilled Mirage LLC

PART 2
CERTIFICATION BY OFFICER

BAYSHIRE RANCHO MIRAGE
SENIOR LIVING

June 30, 2023

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

This Certification Notice is submitted by Mirage Care LLC and Skilled Mirage LLC to The State of California, Community Care Licensing Division, Continuing Care Contracts Branch, pursuant to the requirements of the Continuing Care Contract Annual Reserve Report, for the year ended December 31, 2022.

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

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

Authorized Representative

Scott Kirby
CEO

PART 3
EVIDENCE OF FIDELITY BOND

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 6/20/2023

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).

PRODUCER
CAC Specialty
250 Fillmore, Suite 450
Denver, CO 80206

www.cacspecialty.com

CONTACT NAME:	Kayla Todd		
PHONE (A/C, No, Ext):	205-414-8100	FAX (A/C, No):	
E-MAIL ADDRESS:	kayla.todd@cacspecialty.com		

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Travelers Casualty and Surety Co of Amer	31194
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

INSURED
Bayshire, LLC
1817 Avenida Del Diablo
Escondido CA 92029

COVERAGES **CERTIFICATE NUMBER:** 74908563 **REVISION NUMBER:**

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
	COMMERCIAL GENERAL LIABILITY						EACH OCCURRENCE	$
	CLAIMS-MADE / OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence)	$
							MED EXP (Any one person)	$
							PERSONAL & ADV INJURY	$
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE	$
	POLICY / PRO-JECT / LOC						PRODUCTS - COMP/OP AGG	$
	OTHER:							$
	AUTOMOBILE LIABILITY						COMBINED SINGLE LIMIT (Ea accident)	$
	ANY AUTO						BODILY INJURY (Per person)	$
	OWNED AUTOS ONLY / SCHEDULED AUTOS						BODILY INJURY (Per accident)	$
	HIRED AUTOS ONLY / NON-OWNED AUTOS ONLY						PROPERTY DAMAGE (Per accident)	$
								$
	UMBRELLA LIAB / OCCUR						EACH OCCURRENCE	$
	EXCESS LIAB / CLAIMS-MADE						AGGREGATE	$
	DED / RETENTION $							$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y / N						PER STATUTE / OTH-ER	
	ANYPROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? **(Mandatory in NH)**	N / A					E.L. EACH ACCIDENT	$
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$
A	Crime - Employee Theft			107004282	11/1/2021	11/1/2023	$1,000,000 / $10,000 ded.	
A	Crime - Forgery and Alteration			107004282	11/1/2021	11/1/2023	$1,000,000 / $10,000 ded.	
A	Crime - Computer Fraud			107004282	11/1/2021	11/1/2023	$1,000,000 / $10,000 ded.	

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

Named Insured(s) & Location(s):
Camino Real Care LLC dba Bayshire Carlsbad, 3140 El Camino Real, Carlsbad, CA 92008
Mirage Care LLC dba Bayshire Rancho Mirage, 72201 Country Club Drive, Rancho Mirage, CA 92270
Imperial Care LLC dba El Centro Post-Acute Care, 1700 South Imperial Avenue, El Centro, CA 92243

CERTIFICATE HOLDER

Evidence of Insurance

CANCELLATION

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

AUTHORIZED REPRESENTATIVE

Elizabeth Orfila

This certificate cancels and supersedes ALL previously issued certificates.

PART 4
AUDITED FINANCIAL STATEMENTS

Mirage Care LLC and Skilled Mirage LLC

Independent Auditor's Report

and

Combined Financial Statements

For the Year Ended December 31, 2022

Hansen Hunter & Co. P.C.

Certified Public Accountants

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Management of
Mirage Care LLC and Skilled Mirage LLC
Escondido, California

Opinion

We have audited the accompanying combined financial statements of Mirage Care LLC and Skilled Mirage LLC (California Limited Liability Companies) (collectively the "Company"), which comprise the combined balance sheet as of December 31, 2022, and the related combined statement of operations and member's equity (deficit), and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Mirage Care LLC and Skilled Mirage LLC as of December 31, 2022, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Combined Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Combined Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As discussed in Note 2 to the combined financial statements, during the year ended December 31, 2022, the Company adopted new accounting guidance related to leases. Our opinion is not modified with respect to this matter.

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

Hansen Hunter + Co. P.C.

June 27, 2023

MIRAGE CARE LLC AND SKILLED MIRAGE LLC

COMBINED BALANCE SHEET
December 31, 2022

ASSETS

Current assets		
Cash and cash equivalents	$	460,810
Accounts receivable, net		1,363,089
Other receivables		255,026
Prepaid expenses		148,877
Total current assets		2,227,802
Security deposit		483,623
Property and equipment, net		182,999
Operating lease right-of-use assets, net		21,798,829
Total assets	$	24,693,253

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

MIRAGE CARE LLC AND SKILLED MIRAGE LLC

COMBINED BALANCE SHEET
December 31, 2022
(Continued)

LIABILITIES AND MEMBER'S EQUITY (DEFICIT)

Current liabilities		
Accounts payable	$	448,731
Payroll and related liabilities		476,537
Accrued expenses		28,607
Prepaid rent, resident		44,686
Current portion of operating lease obligations		1,374,401
Total current liabilities		2,372,962
Long-term liabilities		
Related party payables		3,095,096
Operating lease obligations, net of current portion		21,408,580
Total long-term liabilities		24,503,676
Total liabilities		26,876,638
Member's equity (deficit)		
Member's equity (deficit)		(2,183,385)
Total liabilities and member's equity (deficit)	$	24,693,253

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

MIRAGE CARE LLC AND SKILLED MIRAGE LLC

COMBINED STATEMENT OF OPERATIONS AND MEMBER'S EQUITY (DEFICIT)
For the Year Ended December 31, 2022

Revenue	
Resident service revenue	$ 14,307,000
Total operating revenue	14,307,000
Operating expenses	
Assisted living	1,220,694
Memory care	486,863
Skilled nursing	2,401,969
Administrative and general	1,005,790
Culinary	1,502,537
Maintenance and utilities	935,235
Housekeeping and laundry	339,664
Marketing	441,829
Activities	234,451
Social services	82,140
Medical records	74,884
Ancillary expenses	2,320,075
Management fees	729,880
Insurance	754,083
Lease expense	2,120,805
Taxes and licenses	344,215
Total operating expenses	14,995,114
Other expenses	
Other expenses	13,799
Total other expenses	13,799
Income (loss) from operations before depreciation	(701,913)
Depreciation	15,546
Net income (loss)	(717,459)
Member's equity (deficit), beginning of year	(1,465,926)
Member's equity (deficit), end of year	$ (2,183,385)

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

MIRAGE CARE LLC AND SKILLED MIRAGE LLC

COMBINED STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2022

Cash flows from operating activities		
Net income (loss)	$	(717,459)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation		15,546
Provisions for bad debt		34,085
Provisions for implicit price concessions		216,733
Amortization of right of use asset, included in lease expense on the combined statement of operations		335,314
Decrease (increase) in:		
Accounts receivable, net		(419,788)
Other receivable		(180,021)
Related party receivable		56,868
Prepaid expenses		(16,265)
Patient and resident deposits		(376,480)
Due from previous owner		(23,416)
Increase (decrease) in:		
Accounts payable		67,127
Payroll and related liabilities		95,231
Other taxes payable		(167,129)
Accrued expenses		(12,888)
Due to related party		1,365,978
Net cash provided by (used in) operating activities		273,436
Cash flows from investing activities		
Purchases of property and equipment		(92,835)
Net cash provided by (used in) investing activities		(92,835)

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

MIRAGE CARE LLC AND SKILLED MIRAGE LLC

COMBINED STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2022
(Continued)

Net change in cash, cash equivalents and restricted cash	$	180,601
Cash, cash equivalents and restricted cash, beginning of year		280,209
Cash, cash equivalents and restricted cash, end of year	$	460,810
Supplemental disclosures of non-cash investing and financing activities:		
Property and equipment purchases included in accounts payable	$	59,387

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

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 – Nature of Business

Mirage Care LLC and Skilled Mirage LLC (collectively, the Company) are wholly owned subsidiaries of Golden State Care Holdings LLC. The Company started its operations on June 1, 2021. The Company is located in Rancho Mirage, California and is licensed as a Continuing Care Retirement Community. The Company offers independent and assisted living, memory care, and skilled nursing care.

The Company consists of limited liability companies; therefore, the respective members are not liable to the companies for monetary damages for conduct as a member, except to the extent that the California Limited Liability Company Act, as they now exist or may hereafter be amended, prohibit elimination or limitation of member liability. The companies shall exist in perpetuity, unless dissolved as provided for in the Operating Agreements.

NOTE 2 – Summary of Significant Accounting Policies

Basis of accounting

The combined financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Principles of combination

The accompanying combined financial statements include the accounts of Mirage Care LLC and Skilled Mirage LLC, which are under common control. All significant intercompany balances and transactions have been eliminated in combination.

Cash and cash equivalents

Cash and cash equivalents include cash in checking accounts. The Company's available cash is held in accounts at commercial banking institutions. The Company currently has bank deposits with commercial banking institutions that exceed Federal Deposit Insurance Corporation insurance limits; however, management believes that credit risk with respect to these balances is minimal due to the strength of the financial institutions. To date, the Company has not experienced losses in any of these accounts.

NOTE 2 – Summary of Significant Accounting Policies (continued)

Accounts receivable

Accounts receivable are reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing resident care services. Accounts receivable are recorded in the accompanying combined balance sheet net of contractual adjustments and implicit price concessions, which reflect management's estimate of the transaction price. The Company estimates the transaction price based on negotiated contractual agreements, historical experience, and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions and is recorded through a reduction of gross revenue and a credit to accounts receivable. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Accounts receivable are ordinarily due 30 days after the issuance of the invoice.

As of December 31, 2022, and 2021, the accounts receivable balance was $1,377,205 and $1,258,591, respectively. The accounts receivable balance as of December 31, 2022 and 2021 on the accompanying combined balance sheet is net of contractual adjustments and an allowance of $14,116 and $42,887, respectively.

Prepaid expenses

Payments made to vendors that will benefit periods beyond the reporting year are recorded as prepaid expenses. Prepaid expenses consist primarily of payments for insurance.

Prepaid insurance is recorded in conjunction with prepayment through a short-term financing agreement and then expensed over the course of the applicable insurance policies.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the property and equipment. Estimated useful lives used are as follows:

Leasehold improvements	12 to 13 years
Office equipment	5 to 15 years
Furniture and fixtures	5 to 7 years

Depreciation on leasehold improvements is calculated using the straight-line method over the lesser of the remaining lease term or the estimated useful life of the asset. Repair and maintenance charges which do not increase the useful lives of the assets are charged to expense as incurred. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. It is the Company’s policy to capitalize property and equipment over $3,000.

NOTE 2 – Summary of Significant Accounting Policies (continued)

Impairment of long-lived assets

The Company's long-lived assets include property and equipment. The Company follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 360, Property, Plant, and Equipment. In accordance with ASC 360, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the fair value of the related assets. For the year ended December 31, 2022, the Company did not identify any material impairment of its long-lived assets.

Advertising

The Company expenses the cost of advertising and promotions as incurred. The Company's advertising and promotion expense was $40,105 for the year ended December 31, 2022, which is included in marketing expense on the combined statement of operations and member's equity (deficit).

Income taxes

The Company, with the consent of its sole member, has elected under the Internal Revenue Code to be taxed as an S-Corporation. In lieu of corporate income taxes, the members of an S-Corporation are taxed on their proportionate share of the Company's taxable income. Accordingly, no provision or liability for income taxes has been included in the combined financial statements. Management does not believe there are any uncertain tax positions as of December 31, 2022. The federal and state income tax returns of the Company for 2022 (when filed) are subject to examination by the respective taxing authorities generally for three years after they are filed.

Obligation to provide future services

Annually, the Company calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of prepaid revenue from entrance fees. Prepaid revenue from entrance fees as of December 31, 2022 was $0. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to expense. For the year ended December 31, 2022, the calculation resulted in no future service liability. The discount rate used was 5.0%.

NOTE 2 – Summary of Significant Accounting Policies (continued)

Revenue recognition

Resident service revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing resident services. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Company bills the residents and third-party payors several days after the services are performed or the resident no longer needs care. Revenue is recognized as performance obligations are satisfied. Additionally, the Company has applied the practical expedient provided by FASB ASC 340-40-25-4, and all incremental resident contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Company otherwise would recognize is one year or less in duration.

Performance obligations are determined based on the nature of the services provided by the Company. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Company believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time are related to residents in the Company's facilities receiving in-resident post-acute care services or residents receiving services in their homes. The Company measures the performance obligation from admission into the assisted living unit, or the commencement of the assisted living service, to the point when it is no longer required to provide services to that resident, which is generally at the time that the resident elects to move from the facility or passes away. Revenue for performance obligations satisfied at a point in time is generally recognized when goods or services are provided to its residents in a retail setting (for example, personal care services and additional meals not covered in the resident contract) and the Company does not believe it is required to provide additional goods or services related to that sale.

The Company determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured residents in accordance with the Company's policy (charity care), and implicit price concessions provided to uninsured residents. The Company determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Company determines its estimate of implicit price concessions based on its historical collection experience with this class of residents. Subsequent changes that are determined to be the result of an adverse change in payors ability to pay are recorded as an allowance for doubtful accounts. The Company will write off accounts receivable once all collection efforts are exhausted and accounts are deemed uncollectible. In accordance with the adoption of ASC 606, an allowance for doubtful accounts is established only as a result of an adverse change in the customer or payor's ability to pay outstanding billings.

NOTE 2 – Summary of Significant Accounting Policies (continued)

Revenue recognition *(continued)*

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

> *Medicare* – Certain in-resident post-acute care services are paid at prospectively determined rates per service based on clinical, diagnostic, and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. The licensed nursing facility participated in the Medicare program for the year ended December 31, 2022 and was reimbursed based on the Patient Driven Payment Model (PDPM). This program is administered by the United States Department of Health and Human Services. The PDPM is a per diem price-based system. Annual cost reports are submitted to the designated intermediary; however, they will not contain a cost settlement.
>
> *Other* – Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per service, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Company's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Company. In addition, the contracts the Company has with commercial payers also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing resident services. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant for the year ended December 31, 2022.

NOTE 2 – Summary of Significant Accounting Policies (continued)

Revenue recognition *(continued)*

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Company also provides services to uninsured residents, and offers those uninsured residents a discount, either by policy or law, from standard charges. The Company estimates the transaction price for residents with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. For the year ended December 31, 2022, a reduction of revenue of $26,607 was recognized due to changes in its estimated implicit price concessions, discounts, and contractual adjustments for performance obligations previously satisfied.

Non-contractual revenue adjustments totaling $216,733 were recorded from the year ended December 31, 2022 for self-pay, uninsured residents, and other payors by major class based on the Company's historical collection experience, aged accounts receivable by payor, and current economic conditions. The non-contractual revenue adjustments represent the difference between amounts billed and amounts expected to be collected based on collection history with similar payors. The Company assesses its ability to collect for the resident service provided at the time based on the Company's verification of the resident's insurance coverage under Medicare, commercial, or managed care insurance programs, or out of pocket.

The composition of resident service revenue by primary payors, including concentrations for those payor types greater than 10% of revenue, for the year ended December 31, 2022 are as follows:

Medicare	$ 6,497,288	45.4%
Insurance	2,130,110	14.9%
Private	5,557,065	38.8%
Other	122,537	0.9%
Total	$ 14,307,000	100.0%

NOTE 2 – Summary of Significant Accounting Policies (continued)

Leases

The Company leases skilled nursing, independent and assisted living, and memory care facilities. The Company evaluates at contract inception whether a lease exists and recognizes a lease liability and right-of-use (ROU) asset for all leases with a term greater than 12 months. Leases are classified as either finance or operating.

All lease liabilities are measured as the present value of the future lease payments using a discount rate, which is generally the Company's incremental borrowing rate for collateralized borrowings or the risk-free rate. The Company's policy is to use the risk-free rate for building leases in which there is no implied rate or incremental borrowing rate available. The future lease payments used to measure the lease liability include both fixed and variable payments that depend on a rate or index, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain of being exercised. Future lease payments for optional renewal periods that are not reasonably certain of being exercised are excluded from the measurement of the lease liability. Regarding variable payments that depend on a rate or index, the lease liability is measured using the applicable rate or index as of lease commencement and is only re-measured under certain circumstances, such as a change in the lease term. Lease incentives serve to reduce the amount of future lease payments included in the measurement of the lease liability. For all leases, the ROU asset is initially derived from the measurement of the lease liability and adjusted for certain items, such as initial direct costs and lease incentives received. ROU assets are subject to impairment testing.

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

Financial instruments

The Company's financial instruments consist of accounts receivable, other receivables, accounts payable, payroll and related liabilities, accrued expenses, and related party payables. It is management's opinion that the Company is not exposed to significant interest rate or credit risk arising from these.

NOTE 2 – Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Standard

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

Effective January 1, 2022, the Company adopted ASU 2016-02. The ASU has been applied under the effective date method as of the beginning of the reporting period in which the Company first applies the leases standard. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. In addition, the Company elected the practical expedient to use hindsight in determining the lease term for existing leases, which resulted in shortening the useful lives of corresponding leasehold improvements as certain options to renew were not reasonably certain. As of January 1, 2022, adoption of this new standard resulted in an increase in operating lease ROU assets of $23,296,008 and an increase in operating lease obligation of $23,974,505 related to the lessee accounting. There was no significant effect on the financial statements related to the adoption of this new standard which would require a cumulative effect adjustment to Member's equity at the date of adoption.

NOTE 3 – Estimates

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

NOTE 4 – Other Receivables

The other receivable consists primarily of amounts due from the previous owner. The amount expected to be collected is in the next year and have been classified as current and no allowance has been recorded as the full amount is expected to be collected.

NOTE 5 – Property and Equipment

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

Leasehold improvements	$	151,974
Office equipment		22,315
Furniture and fixtures		26,233
		200,522
Less: accumulated depreciation		(17,523)
Property and equipment, net	$	182,999

Depreciation expense recorded on property and equipment was $15,546 for the year ended December 31, 2022.

NOTE 6 – Related Party Transactions

The Company entered into administrative services agreements with Bayshire, LLC (Bayshire), a related party through common ownership. Under this agreement, the Company is to pay Bayshire a monthly fee that is equal to 5% of the monthly gross operating revenues. Management fees amounted to $729,880 for the year ended December 31, 2022. The outstanding balance of unpaid management fees due to Bayshire was $67,758, which is included under accounts payable on the combined balance sheet at December 31, 2022.

Additionally, on behalf of the Company, Bayshire paid for various operating expenses during the year ended December 31, 2022. At December 31, 2022, $3,095,096 was due to Bayshire and is included in the related party payables on the combined balance sheet. As the Company does not expect to pay the balance within one year, the balance is reported as long-term. The amount due bears no interest.

NOTE 7 – Commitments and Contingencies

Health care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for resident services previously billed. Management believes it has mitigated these risks and that such matters will not have a material or adverse effect on the financial condition or results of operations of the Company.

NOTE 7 – Commitments and Contingencies (continued)

Litigation

The Company can be subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of such matters will not have a material adverse effect on the financial condition or results of operations of the Company.

General and professional liability coverage

The Company is insured for general and professional liability under a policy limit of $1,000,000 per individual occurrence and an annual aggregate limit of $3,000,000. The Company pays fixed premiums for annual professional liability insurance coverage under a claims-made policy. Under such policy, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred. The Company is not aware of any unasserted claims or unreported incidents that are expected to exceed malpractice insurance coverage limits as of December 31, 2022.

NOTE 8 – Leases

On December 2, 2020, the Company entered into a lease agreement with Northshore Healthcare Holdings, LLC. This agreement represents the 2nd lease amendment as part of a larger lease agreement with related parties under common ownership that was initially entered into on September 18, 2019. The term ends September 2034 and includes two five-year extension options. The lease requires minimum monthly rental payments, which are subject to annual rent escalations of the lesser of the CPI increase or 3.35%.

The Company makes certain assumptions in determining the discount rate. As most of the leases do not provide an implicit rate, the Company used its incremental borrowing rate for collateralized borrowings or risk-free rate in accordance with the Company's lease policy, based on the information available at lease commencement date. The discount rate used for the Company was 2.08%.

The right-of-use assets as of December 31, 2022, were as follows:

		Operating leases
Initial measurement of lease	$	24,455,583
Accumulated amortization of ROU asset		(2,656,754)
Right-of-use asset, net	$	21,798,829

NOTE 8 – Leases (continued)

The maturity of total operating lease obligations as of December 31, 2022, is as follows:

	Operating leases
2023	$ 1,835,386
2024	1,896,874
2025	1,960,420
2026	2,026,096
2027	2,093,974
Thereafter	16,090,891
Total lease payments	25,903,641
Less: interest	(3,120,660)
Total lease obligations	22,782,981
Less: current portion	(1,374,401)
Long-term lease obligation	$ 21,408,580

The lease cost by line item on the accompanying consolidated statement of operations for the year ended December 31, 2022, is as follows:

Operating lease cost:	
Lease expense	$ 1,785,492
Variable lease cost:	
Lease expense	335,313
Total	$ 2,120,805

The Company paid a security deposit to the landlord in relation to the lease agreement. The security deposit amount is required to be three monthly payments of Base Rent in accordance with the lease term, and thus is subject to change as the monthly rental payments change. Upon expiration of the lease, the security deposit shall be returned, without interest, to the Company. As of December 31, 2022, the security deposit was $450,018.

NOTE 9 – Retirement Plan

The Company has a 401(k) plan that is included with other related companies under common ownership. The plan covers substantially all employees, subject to certain limits. Employees may contribute up to the annual permissible dollar limit in effect for the plan year, subject to certain federal income tax limitations. The Company may make matching contributions at its discretion. The Company made no contributions during the year ended December 31, 2022.

NOTE 10 – Risks and Uncertainties

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy, including the healthcare industry. The extent of the impact of COVID-19 on the Company's financial condition will depend on certain developments, including the duration and spread of the outbreak, impact on the Company's residents, employees, and vendors, and other circumstances, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Company's financial condition is uncertain.

NOTE 11 – Line of Credit

Effective December 29, 2021, the Company has a line-of-credit agreement with CTR Partnership, L.P. totaling $5,410,977, under which the Company shares the line-of-credit with a related party and may borrow up to $2,544,981 but is jointly and severally liable for the full amount. Principal borrowings under the line-of-credit are payable on the termination date, which is the first to occur of (1) December 31, 2024 or (2) the termination of the Master Lease Agreement with Northshore Healthcare Holdings, LLC. Interest is payable at the rate of 8% on the termination date. The line-of-credit is guaranteed by the owner of the Company and other related entities. At December 31, 2022, the Company had no borrowings under this agreement.

NOTE 12 – Subsequent Events

Mirage Care LLC and Skilled Mirage LLC did not have any subsequent events through June 27, 2023, which is the date the combined financial statements were available to be issued, requiring recording or disclosure in the combined financial statements for the year ended December 31, 2022.

PART 5
<u>LIQUID RESERVES</u>

INDEPENDENT AUDITOR'S REPORT

To the Management of
Mirage Care LLC and Skilled Mirage LLC
Escondido, California

Opinion

We have audited the accompanying continuing care reserve report (the "Reports") of Mirage Care LLC and Skilled Mirage LLC (collectively the "Company"), which comprise the continuing care liquid reserve schedules Form 5-1 through Form 5-5 as of December 31, 2022. The Reports have been prepared by management using the liquid reserve requirements of California Health and Safety Code Section 1792.

In our opinion, the Reports referred to above present fairly, in all material respects, the liquid reserve schedules Form 5-1 through Form 5-5 of Mirage Care LLC and Skilled Mirage LLC as of December 31, 2022, in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis for Opinion

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

Basis of Accounting

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

Management's Responsibility for the Reports

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

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

Auditor's Responsibility for the Audit of the Reports

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Reports, 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 Reports.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Reports.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the Reports as a whole. The accompanying supplementary information of Attachment I to Form 5-4: Calculation of Net Operating Expense Reconciliation of Line 1, Attachment II to Form 5-4: Calculation of Net Operating Expense Reconciliation of Line 2e, Attachment III to Form 5-5: Note to the Continuing Care Reserve Report are presented for purposes of additional analysis and is not a required part of the Reports. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Reports. The information has been subjected to the auditing procedures applied in the audit of the Reports and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Reports or to the Reports themselves, and other additional procedures in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. In our opinion, the information is fairly stated in all material respects in relation to the Reports as a whole.

Restriction on Use

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

Hansen Hunter + Co. P.C.

June 30, 2023

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

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

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

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

PROVIDER: Bayshire Rancho Mirage

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over Next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d)
1		$0	$0	0	$0
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:				$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: Bayshire Rancho Mirage

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

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

PROVIDER: Bayshire Rancho Mirage

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$15,010,660
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	$15,546	
	d.	Amortization	$335,314	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$9,161,247	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$9,512,107
4		Net Operating Expenses		$5,498,553
5		Divide Line 4 by 365 and enter the result.		$15,065
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$1,129,875

PROVIDER: Bayshire Rancho Mirage

COMMUNITY: Mirage Care LLC and Skilled Mirage LLC

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Bayshire Rancho Mirage
Fiscal Year Ended: DECEMBER 31, 2022

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

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

		Amount
[1]	Debt Service Reserve Amount	$0
[2]	Operating Expense Reserve Amount	$1,129,875
[3]	**Total Liquid Reserve Amount:**	$1,129,875

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

	Qualifying Asset Description		Amount (market value at end of quarter) Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents		$0		$460,810
[5]	Investment Securities		$0		$0
[6]	Equity Securities		$0		$0
[7]	Unused/Available Lines of Credit		$0		$2,544,981
[8]	Unused/Available Letters of Credit		$0		$0
[9]	Debt Service Reserve		$0		(not applicable)
[10]	Other: (describe qualifying asset)		$0		$0
	Total Amount of Qualifying Assets Listed for Liquid Reserve:	[11]	$0	[12]	$3,005,791
	Total Amount Required:	[13]	$0	[14]	$1,129,875
	Surplus/(Deficiency):	[15]	$0	[16]	$1,875,916

Signature:

(Authorized Representative)

Date: 06/30/2023

(Title)

SUPPLEMENTARY INFORMATION

FORM 5-4
ATTACHMENT I
CALCULATION OF NET OPERATING EXPENSES RECONCILIATION OF LINE 1

Total operating expenses, per statement of operations	$	14,995,114
Plus: depreciation		15,546
	$	15,010,660

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

Total revenues, per statement of operations	$	14,307,000
Less bad debt		34,085
Less implicit price concessions		216,733
Net change in accounts receivable		(419,788)
	$	14,138,030
Revenues received during the fiscal year for non-CCRC (Line 2E)	$	9,161,247
Revenues received during the fiscal year for CCRC		5,396,571
Revenues received for telephone system, rentals, other revenue		-
Net change in accounts receivable		(419,788)
Cash received from residents	$	14,138,030

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

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

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

- The amount the provider is required to hold as a debt service reserve under Section 1792.3.

- The amount the provider must hold as an operating expense reserve under Section 1792.4.

In accordance with the Code, the Company has computed its liquid reserve requirement as of December 31, 2022, the Company’s most recent fiscal year end, and the reserve is based on audited financial statements for that period.

H&SC SECTION 1790(A)(2) AND (3) DISCLOSURE

H&SC SECTION 1790(A)(2) AND (3) DISCLOSURE

- Description of all Reserves Maintained

		December 31, 2022
Cash and cash equivalents	$	460,810

Status: These amounts are fully funded.

- Funds Accumulated for Specific Projects or Purposes
  - No amounts accumulated for specific projects or purposes.
  - No amounts maintained for contingencies.

- Per Capita Cost of Operations

Total operating Expenses (Form 5-4, Line 1)	$	15,010,660
Mean number of all residents (Form 1-1 Line 10)		/ 142.5
	$	105,338

PART 6
CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE STATEMENT

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 06/30/2023

FACILITY NAME: Bayshire Rancho Mirage

ADDRESS: 72201 Country Club Drive, Rancho Mirage, CA ZIP CODE: 92270 PHONE: 760-340-5999

PROVIDER NAME: Bayshire Rancho Mirage FACILITY OPERATOR: Bayshire, LLC

RELATED FACILITIES: Bayshire Carlsbad RELIGIOUS AFFILIATION: N/A

YEAR OPENED: 2021 # OF ACRES: 6.2 ☐ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ______ MILES TO SHOPPING CTR: 1.5

MILES TO HOSPITAL: .25

NUMBER OF UNITS:

RESIDENTIAL LIVING		**HEALTH CARE**	
APARTMENTS - STUDIO:		ASSISTED LIVING:	109
APARTMENTS – 1 BDRM:		SKILLED NURSING:	45
APARTMENTS – 2 BDRM:		SPECIAL CARE:	26
COTTAGES/HOUSES:		DESCRIBE SPECIAL CARE:	Dementia Care
RLU 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 TO $0 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☑ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: None

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

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBERS ON, THE BOARD
(briefly describe provider's compliance and residents' roles)**:** A resident representative meets with a representative of governing board periodically to discuss budgeting and other resident matters.

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☐	☑
BILLIARD ROOM	☑	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☑	☐
CHAPEL	☐	☐
COFFEE SHOP	☐	☐
CRAFT ROOMS	☑	☐
EXERCISE ROOM	☑	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☑	☐
PUTTING GREEN	☑	☐
SHUFFLEBOARD	☐	☐
SPA	☑	☐
SWIMMING POOL – INDOOR	☐	☐
SWIMMING POOL – OUTDOOR	☑	☐
TENNIS COURT	☐	☐
WORKSHOP	☐	☐
OTHER ________	☐	☐

SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING (2 TIMES/MONTH)	✓	
MEALS (3/DAY)	✓	
SPECIAL DIETS AVAILABLE	☑	☐
24-HOUR EMERGENCY RESPONSE	☑	☐
ACTIVITIES PROGRAM	☑	☐
ALL UTILITIES EXCEPT PHONE	☑	☐
APARTMENT MAINTENANCE	☑	☐
CABLE TV	☐	☑
LINENS FURNISHED	☑	☐
LINENS LAUNDERED	☑	☐
MEDICATION MANAGEMENT	☐	☑
NURSING/WELLNESS CLINIC	☑	☐
PERSONAL NURSING/HOME CARE	☐	☐
TRANSPORTATION–PERSONAL	☑	☑
TRANSPORTATION–PREARRANGED	☑	☐
OTHER ________	☐	☐

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: Bayshire Rancho Mirage

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
Bayshire Carlsbad	Carlsbad, CA	760-720-9898

MULTI-LEVEL RETIREMENT COMMUNITIES

N/A

FREE-STANDING SKILLED NURSING

N/A

SUBSIDIZED SENIOR HOUSING

N/A

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

PROVIDER NAME: Bayshire Rancho Mirage

	2019	2020	2021	2022
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	$ N/A	$ N/A	$ 11,532,514	$ 14,307,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, and interest)	N/A	N/A	13,543,437	14,659,800
NET INCOME FROM OPERATIONS	N/A	N/A	(2,010,923)	(352,800)
LESS INTEREST EXPENSE	N/A	N/A	0	0
PLUS CONTRIBUTIONS	N/A	N/A	0	0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	N/A	N/A	(498,705)	(13,799)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$ N/A	$ N/A	$ (2,509,628)	$ (366,599)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$ N/A	$ N/A	$ 0	$ 0

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD

FINANCIAL RATIOS (see next page for ratio formulas)

	2019 CCAC Medians 50th Percentile *(optional)*	2020	2021	2022
DEBT TO ASSET RATIO		N/A	0%	0%
OPERATING RATIO		N/A	117.44%	102.47%
DEBT SERVICE COVERAGE RATIO		N/A	0%	0%
DAYS CASH ON HAND RATIO		N/A	7.55	11.47

HISTORICAL MONTHLY SERVICE FEES
(Average Fee and Change Percentage)

	2018	%	2019	%	2021	%	2022	%
STUDIO	N/A	N/A	N/A	N/A	$2,600-$2,800	N/A	$2,600-$2,800	0%
ONE BEDROOM	N/A	N/A	N/A	N/A	$3,300-$3,600	N/A	$3,300-$3,600	0%
TWO BEDROOM	N/A	N/A	N/A	N/A	$4,800-$5,200	N/A	$4,800-$5,200	0%
COTTAGE/HOUSE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%
ASSISTED LIVING	N/A	N/A	N/A	N/A	$4,001	N/A	$4,001	0%
SKILLED NURSING	N/A	N/A	N/A	N/A	$16,132	N/A	$16,132	0%
SPECIAL CARE	N/A	N/A	N/A	N/A	$4,850-$7,450	N/A	$4,850-$7,450	0%

COMMENTS FROM PROVIDER:

PROVIDER NAME: Bayshire Rancho Mirage

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

Debt Service Coverage Ratio

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

DAYS CASH ON HAND RATIO

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

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

PART 7
REPORT ON CCRC MONTHLY SERVICE FEES

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	$0	$4,001	$16,132
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	0%	0%	0%

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

[3] Indicate the date the fee increase was implemented: ____________________
(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: ____________________ **Method of Notice:** ____________________

☐ At least 30 days prior to the increase in fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
Date of Meeting: ____________________

☐ 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: ____________________

☐ 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: ____________________ **Location of Posting:** ____________________

[5] On an attached page, provide a concise explanation for the increase in monthly care fees including the amount of the increase and compliance with the applicable Health and Safety Code sections. See **PART 7 REPORT ON CCRC MONTHLY CARE FEE** in the **Annual Report Instruction** booklet for further instruction.

PROVIDER: Bayshire Rancho Mirage
COMMUNITY: Mirage Care LLC and Skilled Mirage LLC

PART 8
KEY INDICATORS REPORT

KEY INDICATORS REPORT

Date Prepared: 06/23/2023

MIRAGE CARE LLC AND SKILLED MIRAGE LLC
FISCAL YEAR ENDED DECEMBER 31, 2022

Chief Executive Officer Signature

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

	2018	2019	2020	2021	2022	Projected 2023	2024	2025	2026	2027	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	n/a	n/a	n/a	87.9%	82.0%	88.0%	90.0%	91.0%	92.0%	92.5%	**N/A**
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	n/a	n/a	n/a	(17)%	(2)%	19%	19%	18%	18%	17%	↑
3. Net Operating Margin – Adjusted (%)	n/a	n/a	n/a	(17)%	(2)%	19%	19%	18%	18%	17%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	n/a	n/a	n/a	280	461	500	500	500	500	500	↑
5. Days Cash on Hand (Unrestricted)	n/a	n/a	n/a	8	11	12	11	11	11	10	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**N/A**
7. Net Annual E/F proceeds ($000)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**N/A**
8. Unrestricted Net Assets ($000)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**N/A**
9. Annual Capital Asset Expenditure ($000)	n/a	n/a	n/a	48	92	5	5	5	5	5	**N/A**
10. Annual Debt Service Coverage Revenue Basis (x)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	↑
11. Annual Debt Service Coverage (x)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	↑
12. Annual Debt Service/Revenue (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	↓
13. Average Annual Effective Interest Rate (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	↑
15. Average Age of Facility (years)	n/a	n/a	n/a	1.00	1.13	1.88	2.88	3.88	4.88	5.88	↓

Mirage Care LLC and Skilled Mirage LLC

Key Indicator Report
Explanations for Significant Trends or Variances in the Key Operational Indicators

Average Annual Occupancy
The projected increase is related to continued efforts to increase the census.

Net Operating Margin (%)
The projected increase in the net operating margin is due to an anticipated decrease in expenses as the facility continues to gain efficiencies with the continued operations, as the operations have only been effective since June 1, 2021.

Annual Capital Asset Expenditure
The facility is being leased and currently there are no significant plans in place for capital asset expenditures.