Most Americans over 65

- Value an independent lifestyle
- Believe that if they move to an older adult community, they will lose their independence
- Assume that they will not require care
- Are not ready to consider older adult living options

Source: AARP
Perceptions

Need for Long Term Care

% who will need long-term care after age 65
% who believe they will need long-term care
Over the next ten years, the older adult population will grow three times faster than the capacity of home health care providers to serve their care needs.

- 4 of 10 older adults will experience a skilled nursing stay; 1 in 10 will stay five or more years.

- In 2000, 9 million needed long-term care.

- By 2020, that number will climb to 12 million.

Source: AARP
On average, a year in a semi-private Colorado nursing home cost over $70,000 in 2009.

The average nursing home stay in Colorado is 3 years.

Medicare covers only short-term rehabilitative stays.

Source: Own Your Future Colorado, 2009
Aging in Place

Companion care & nurse
365 days, including RN 1 hour/day
$157,183

Household expenses
Meals, utilities, transportation,
  housekeeping, maintenance, etc.

  $  40,000

Total
$197,183
Nursing Home Costs

Skilled nursing/year
Private room, $310/day
$ 113,150

Maintaining your home
Utilities, transportation, housekeeping, maintenance, etc.
$ 40,000

Total
$153,150
The value of a Type A CCRC

Annual Cost of Care: Individual

- Home Care: $197,183
- Nursing Care: $153,150
- Vi at Highlands Ranch: $49,320

Based on 1310 square foot Two Bedroom apartment.
The value of a Type A CCRC

Annual Cost of Care: Couple

- Home Care: $197,183
- Skilled Care: $153,150
- Vi - Couple: $59,640

Based on 1310 square foot Two Bedroom apartment.
A continuing care retirement community (CCRC) is a community that provides for independent living and some form of a continuum of care so that residents can move to assisted living, memory care or skilled nursing on the same campus as needs arise.
<table>
<thead>
<tr>
<th>Terminology</th>
<th>Activities of Daily Living (ADL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Routine activities</td>
<td>• Routine activities that people tend to do everyday without assistance</td>
</tr>
<tr>
<td>Personal hygiene</td>
<td>✓ Personal hygiene</td>
</tr>
<tr>
<td>Dressing/undressing</td>
<td>✓ Dressing/undressing</td>
</tr>
<tr>
<td>Feeding oneself</td>
<td>✓ Feeding oneself</td>
</tr>
<tr>
<td>Physical transfers</td>
<td>✓ Physical transfers</td>
</tr>
<tr>
<td>Continence</td>
<td>✓ Continence</td>
</tr>
<tr>
<td>Ambulation</td>
<td>✓ Ambulation</td>
</tr>
<tr>
<td>Medication management</td>
<td>✓ Medication management</td>
</tr>
</tbody>
</table>
**Independent Living**

- A senior living option for those who can perform their own basic ADLs and
- Who require little or no medical assistance
- Range from 55+ apartment and single family home communities to retirement campuses
- For those seniors looking to maintain independent lifestyle but with lower maintenance (meals, housekeeping) and an abundance of activities
**Assisted Living**

- A senior living option for those residents that need help with one or more of the basic ADLs
- Allow residents to maintain as much independence as possible while providing a safer environment
- Do not offer complex medical services, nursing care or 24 hour care
Memory Support

• A senior living option for those with some form of dementia or Alzheimer’s diagnosis
• Allow as much independence as possible within a safe, structured environment
• Generally access controlled to prevent wandering
**Skilled Nursing**

- A senior living option for those who need either:
  - Long-term care or
  - Skilled nursing and rehabilitation services

- Differs from assisted living with the addition of 24 hour nursing care and provision of medical services

- Commonly have occupational, physical and speech therapy services available
• Type A
  – Referred to as Life-care contracts
  – Include unlimited days of specific health-related services with little or no increase in monthly payments
  – Usually have higher entrance fees
  – More predictable future costs
- Type A continued
  - Transfers risk of some rising health care costs to the CCRC (not medications, doctor care etc.)
  - The advantage is that the appropriate level of care is available if the need arises
  - Peace of mind for your clients and their families
• Type B
  – Include a limited number of days in the health care center per year or per lifetime
  – Little or no increase in monthly payments during the fixed number of covered days
  – However, after the covered days have been used, resident pays either a discount rate or the full market rate
• Type B continued
  – Typically have slightly lower entrance fees than Type A communities
  – CCRC assumes less financial risk for rising health care costs and consumer bears more risk
  – Consumer must understand that if increased services are required, additional funding will be needed
• Type C
  – Healthcare services are not provided in current monthly fee
  – Sometimes referred to as fee-for-service contracts
  – Typically lowest entrance fees of the group
  – Consumer retains all of the risk of rising healthcare costs
  – Consumer will need to pay actual cost as additional services are needed
**Terminology**

- An up-front, one-time payment
- Secures future services
- Amount is typically dependent on contract type, size of residence, view, proximity to center of community, dining or elevators

**Types:**
- Declining or amortizing refund
- Partially refundable
- Fully refundable
General Considerations

- Obviously you will want to very carefully observe the condition and cleanliness of the community relative to its age.
- Oftentimes how well the community is cared for indicates the level of care the residents receive.
- Visit and compare at least several communities.
- Obtain and review a residency agreement and resident handbook.
General Considerations

- Inquire of your clients whether a small community or a large one is a better fit.
- When visiting the community, inquire of the management team’s experience – both in senior living and in their functional areas.
- Remember that monthly fees vary with size of apartment and included amenities and services.
Culinary

• How many meals are included in the monthly fee? Ranges from 1 to 3 daily
• Inquire as to number of dining venues
• Is there a waiting line? (table seating vs. cafeteria service)
• What are the chef’s qualifications? Executive chef? Culinary Institute of America trained?
Four Critical Aspects

Services and Costs

Culinary

- Are there dietary managers or managers with certified dietary manager status on staff?
- Ask to see a menu. Compare the number of choices.
- How often do menus change?
- Are there a variety of heart-healthy, low sodium and low sugar choices?
- Is there a dress code?
- Try a meal before choosing
### Seasonal Starters
- **Soup of the Season**: Palouse Country Split Pea Soup
- **Salad of the Season**: Oregon Hazelnut Cole Slaw

### Featured Starters
- **Soup of the Day**: Turnip Soup
- **Salad of the Day**: Oregon Romaine Hazelnut Salad

### Seasonal Entrees
- **Herb Marinated Chuck Steak**: Chuck steak marinated with thyme, parsley and dijon mustard.
- **Roast Pork Loin**: Lean pork roast rubbed with fresh thyme and oregano then slow roasted.
- **Chicken and Dumplings**: Tender pieces of chicken in a rich gravy served with homemade dumplings.

### Featured Entrees
- **Baked Parmesan Chicken**: Chicken breast dipped in buttermilk then baked with an herbed parmesan crust.
- **Spicy Glazed Pork Cubes**: Tender pork loin cubes simmered with onions in a zesty citrus sauce.
- **Seafood Newburg**: Scallop and crab baked in a rich tomato cream sauce with a touch of sherry.

### Accompaniments
- **Baked Potato**: Also Available
- **California Chicken**: Also Available
- **Grilled Vegetables**: Also Available

### Seasonal Desserts
- **Ice Cream of the Month**: Peppermint Bon Bon Ice Cream
- **Cookie of the Month**: Brookdale Signature Cookie
- **Dessert**: Fresh Fruit Cup

### Featured Desserts
- **Dessert**: Carrot Cake
- **Sugar Free Dessert**: Cookies and Cream Cake
- **Sugar Free Dessert**: Sugar Free Banana Pudding

---

**Note**: Optional Life Cuisine Options are prepared with reduced sodium, fat and cholesterol. We invite you to share your comments, suggestions and menu ideas with us. Visit us at www.brookdaleserving.com
Sample Vi at Highlands Ranch dinner menu

**Dinner**
March 19, 2012 - March 24, 2012

**SOUP**
Tortilla

**Soup of the Day**
Your Server will describe the selection of the day.

**SALAD AND APPETIZERS**

**Chopped Salad**
Tomatoes, Olives, Bacon Bits and Gorgonzola Cheese over Iceberg Lettuce with Choice of Dressing

**Caesar Salad**
Crisp Romaine Lettuce, Shaved Reggiano & Garlic Croutons and a Classic Caesar Dressing

**Garden Salad**
Mixed Greens with Cherry Tomatoes, Broccoli, Cucumbers & Carrots

**Fresh Tomato Salad**
Fresh Sliced Tomatoes with Olives, Sliced Red Onions, & Arugula

**Asparagus Salad**
Cherry Tomatoes, Kalamata Olives, Feta Cheese and Lemon Vinaigrette

**Shrimp Cocktail**

**Cheese Course Selection**
Colorado Camembert, Pot

**ALWAYS AVAILABLE**

**Herb Roasted Chicken**
Slow Roasted Quarters Topped with Pan Gravy, Baked Sweet Potato, Zucchini and Carrots

**Grilled Fillet Mignon**
Finished with Demi-glace, Mashed Potatoes, Zucchini and Carrots

**Atlantic Salmon**
Grilled Salmon with Baked Potato, Zucchini and Carrots

**SIDE SELECTIONS**
• Roasted Root Vegetables • Garlic Mashed Potatoes • Carrots • Candied Yams • Brussels Sprouts • Baked Potato • Cauliflower Gratin • Brown Rice • Baked Sweet Potato • Mashed Potatoes • Garlic Spinach • Pesto Cous Cous • Green Beans • Baby Carrots • Snow Peas • Zucchini

**Dinner**
March 19, 2012 - March 24, 2012

**ENTRÉE SELECTIONS**

**Chef's Feature**
Your Server will describe tonight's Feature

**Duck Stuffed Tomato**
Garlic Spinach, Dijon Chicken Veloute

**Seared Halibut**
Baby Carrots, Brown Rice, Saffron Lemon Cream

**Prosciutto Wrapped Lamb Tenderloin**
Pesto Cous Cous, Green Beans and Cherry Balsamic Jui Lio

**Salad Chef**
Choice of Tender Mixed Greens, or Iceberg, Grilled Chicken, Smoked Salmon, Candied Pecans, Tomatoes, Goat Cheese, Cranberries, Red Onion, Egg and Choice of Dressing

**Maple Soy Salmon**
Sesame Udon Noodles and Snow Peas

**Pasta Bar**
Create your own dish...Cork-screw Penne tossed with choice of Alfredo, Marinara or Pesto Sauce. Choice of Meatballs, Smoked Salmon or Chicken

**DESSERT**

**Pastry Chef's Features**
Your Server will describe tonight's Dessert Feature and Classically Caring Feature

**Ice Cream**
Chocolate, Strawberry, Vanilla, Assorted Handmade Selections

**Frozen Fat Free Yogurt**
Chocolate, Vanilla, Swirl

**Fresh Fruit • Fresh Baked Cookies • Classically Caring Cookies**

**Cheese Course Selection**
Colorado Camembert, Port
Housekeeping and Laundry

- What services are included?
- How frequent?
- Included in monthly fee?
- What extra services can be provided and what are the costs?
Activities and Transportation

- Ask to see an activities calendar
- What is charged for an activity?—some communities charge the cost of tickets plus driver time and vehicle charges
- Is there a transportation radius in which there is no charge?
- Extra transportation charges?
## Parking and Fitness Center

- Surface parking vs. garage
- Valet parking?
- Guest parking?
- Charge for extra car?
- Is the fitness center included in the monthly fee or charged separately?
Continuum of Care

- Investigate for your clients whether the retirement community they are considering has an open, operating care center with all levels of care.
- Some communities don’t and that impacts their ability to provide a true continuum of care.
“At many Erickson Living communities, you'll find a continuum of care right on-site. Many of our campuses include an extended care neighborhood called Renaissance Gardens if you or a loved one should ever need it—so you can enjoy life at our continuing care retirement communities, without worrying about the future.”
Four Critical Aspects

Transitions of Care

Independent Living

- For your clients, inquire as to the criteria required to move into and remain in independent living
  - Must be 62 years of age
  - At Vi:
    - Safely evacuate
    - Safe for self and others
    - Socially acceptable behavior
    - Self-direct (i.e. make appts)
- Inquire as to who makes the decision to transfer a resident to the care center
- How is the decision made?
Assisted Living

- Carefully evaluate the level(s) of care the community provides. Can they provide for all of your clients needs?
- Review the fee structure. Are rates based on apartment size or levels of care?
- What additional costs are charged to life-care residents when they move to assisted living?
Assisted Living

- Are the higher levels of care additional or included in cost?
- Does the community allow “private pay” residents? If so, what priority do life-care residents have?
## Monthly Fees
### ASSISTED LIVING

<table>
<thead>
<tr>
<th>Monthly Fees</th>
<th>Member*</th>
<th>Non-Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Studio</td>
<td>$3,225</td>
<td>$3,509</td>
</tr>
<tr>
<td>Enhanced Studio</td>
<td>$4,398</td>
<td>$5,126</td>
</tr>
<tr>
<td>Deluxe Studio</td>
<td>$4,771</td>
<td>$5,960</td>
</tr>
<tr>
<td>One-bedroom w/patio</td>
<td>$5,126</td>
<td>$6,408</td>
</tr>
<tr>
<td>Two-bedroom</td>
<td>$6,527</td>
<td>$8,764</td>
</tr>
</tbody>
</table>

Enhanced Care Program: $474 per month for additional services (such as incontinency management).

Second Person Fee: $1,750 per month

*Members are residents who live in Frasier Meadows Retirement Community and who have paid an Entrance Fee.

People from the greater community may become members through the following options:

**Option 1:**
- Entrance Fee $32,500 (non-refundable)
- Receive member rates in Assisted Living

**Option 2:**
- Entrance Fee $65,000 (non-refundable)
- Receive member rates in Assisted Living
- Preferred access to FMRC Health Care Center
- Receive member rates in the Health Care Center

Rates effective July 2011, and are subject to change.
Note: These are Vi’s rates for those not under a life-care contract. Those with a life-care contract would pay an average of $4,200 per month. This demonstrates the value and financial protection of a Type A CCRC.
Four Critical Aspects

Transitions of Care

Memory Support

• Two key aspects:
1. Safety/Supervision
   – Alzheimer’s/dementia patients tend to wander and/or become confused, so security is important.
   – Inquire as to memory support unit security and adequacy of staffing
Memory Support

• Two key aspects:
  2. Structured routine
    – Structure and consistency reduce agitation which can help reduce certain behaviors common with memory loss
    – Stable, peaceful environment
    – Inquire as to consistency of activities (such as meal times), use of visual cues (such as memory boxes), activities shown to enhance lifestyle of memory support residents and consistency of staffing
Skilled Nursing

• Again review the types of skilled nursing care the community can provide. Some medical conditions would require relocation to a different facility
• Review the fee structure
• Ascertain whether the community’s skilled nursing beds are Medicare certified or not. This can impact where your client ends up after a qualifying hospital stay
Skilled Nursing

• What additional costs are charged to life-care residents when they move to skilled nursing? *Be careful to review what costs or services are not included.*

• Are the rooms private or semi-private?

• Does the community allow “private pay” residents? If so, what priority do life-care residents have?
Daily Rates

HEALTH CARE CENTER

The Health Care Center is licensed to accept Medicare, Evercare, Medicaid and private payment. We also work with other insurance companies on a case-by-case basis (which may require pre-authorization).

<table>
<thead>
<tr>
<th>Member Daily Rates</th>
<th>Private</th>
<th>Semi-private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skilled</td>
<td>$263</td>
<td>$225</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Member Daily Rates</th>
<th>Private</th>
<th>Semi-private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skilled</td>
<td>$343</td>
<td>$298</td>
</tr>
</tbody>
</table>

Recuperative Care for Frasier Meadows Members

Up to six months in the Health Care Center while the member retains an apartment in independent or assisted living.

Thirty days per calendar year, per apartment (non-cumulative)

<table>
<thead>
<tr>
<th></th>
<th>Private</th>
<th>Semi-private</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$165</td>
<td>no charge</td>
</tr>
</tbody>
</table>

After the first thirty days per calendar year.

<table>
<thead>
<tr>
<th></th>
<th>Private</th>
<th>Semi-private</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$201</td>
<td>$180</td>
</tr>
</tbody>
</table>

*Members are residents who live in Frasier Meadows Retirement Community and who have paid an Entrance Fee.

Frasier Meadows Health Care Center is certified for Medicare, Medicaid and Evercare.

Rates effective July 2011, and are subject to change.

Accommodations and Amenities

- private or semi-private rooms that residents may furnish
- semi-private rooms are designed for optimal privacy
- large window
- security call system
- extended basic cable TV service
- local phone service
- housekeeping and laundry services
- utilities
- move-in assistance
- activities and restorative exercise programs
Skilled Nursing

- Use [WWW.MEDICARE.GOV](https://WWW.MEDICARE.GOV) to compare nursing home ratings (overall, health inspections, staffing and quality measures).
<table>
<thead>
<tr>
<th>Nursing Home Name and General Information</th>
<th>Overall Rating</th>
<th>Health Inspections</th>
<th>Nursing Home Staffing</th>
<th>Quality Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>VI AT HIGHLANDS RANCH SKILLED NURSING</strong> 1 9085 RANCH RIVER CIRCLE HIGHLANDS RANCH, CO 80126 (720) 348-7900</td>
<td>★★★★★ 5 out of 5 stars</td>
<td>★★★★★ 5 out of 5 stars</td>
<td>★★★★★ 5 out of 5 stars</td>
<td>Not Available 2</td>
</tr>
<tr>
<td>Distance: 0.46 miles</td>
<td>Resident Council</td>
<td>Continuing Care Retirement Community Mapping &amp; Directions</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CHRISTIAN LIVING COMMUNITIES THE JOHNSON CENTER SK</strong> 5000 EAST ARAPAHOE ROAD CENTENNIAL, CO 80122 (303) 779-5000</td>
<td>★★★★ 3 out of 5 stars</td>
<td>★★★ 2 out of 5 stars</td>
<td>★★★★ 4 out of 5 stars</td>
<td>★★★ 3 out of 5 stars</td>
</tr>
<tr>
<td>Distance: 3.95 miles</td>
<td>Resident &amp; Family Councils</td>
<td>Continuing Care Retirement Community Mapping &amp; Directions</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIFE CARE CENTER OF LITTLETON</strong> 1500 WEST MINERAL AVENUE LITTLETON, CO 80120 (303) 795-7300</td>
<td>★★★★★ 4 out of 5 stars</td>
<td>★★★★★ 3 out of 5 stars</td>
<td>★★★★★ 4 out of 5 stars</td>
<td>★★★★★ 3 out of 5 stars</td>
</tr>
<tr>
<td>Distance: 4.08 miles</td>
<td>Resident &amp; Family Councils</td>
<td>Mapping &amp; Directions</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SUITES AT HOLLY CREEK CARE CENTER, THE</strong> 5590 E PEAKVIEW AVENUE CENTENNIAL, CO 80121 (720) 266-5888</td>
<td>★★★ 2 out of 5 stars</td>
<td>★★★ 2 out of 5 stars</td>
<td>★★★★ 3 out of 5 stars</td>
<td>★★★ 2 out of 5 stars</td>
</tr>
<tr>
<td>Distance: 4.47 miles</td>
<td>Resident &amp; Family Councils</td>
<td>Continuing Care Retirement Community Mapping &amp; Directions</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ORCHARD PARK HEALTH CARE CENTER</strong> 3 6005 SOUTH HOLLY STREET LITTLETON, CO 80121 (303) 773-1000</td>
<td>★★★★★ 5 out of 5 stars</td>
<td>★★★★★ 3 out of 5 stars</td>
<td>★★★★★ 4 out of 5 stars</td>
<td>★★★★★ 5 out of 5 stars</td>
</tr>
<tr>
<td>Four Critical Aspects</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrance and Monthly Fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Entrance fees are not an insignificant investment
- Often the proceeds from selling a home
- According to a US Senate Special Committee on Aging report, the average entrance fee for Type A, B and C communities (in 2010 at the time of the report) averaged $143,000, $91,200 and $97,749 respectively
- Entrance fees in some markets, however, can exceed $1,000,000
Help your clients balance the level of service and the refundable percentage with their unique financial situation.

Caution against:
- Spending too much on an entrance fee thereby leaving not enough for monthly fees
- Using all of their savings
- Not having anything left for their heirs
<table>
<thead>
<tr>
<th>Four Critical Aspects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrance and Monthly Fees</td>
</tr>
<tr>
<td>• Inquire as to how entrance fee proceeds are invested</td>
</tr>
<tr>
<td>• Are entrance fee proceeds commingled with and/or used for operating expenses?</td>
</tr>
<tr>
<td>• In the start-up stage, are entrance fees used to pay down debt?</td>
</tr>
<tr>
<td>• Are entrance fees held locally or in a centralized account?</td>
</tr>
<tr>
<td>• How are reserves for entrance fee refunds determined?</td>
</tr>
</tbody>
</table>
Entrance Fee Refund

- What portion of the entrance fee is refundable?
- What is the required notice and timing of the refund?
- Is the refund dependent on the resale or re-occupancy of the residence?
Fee Increases

- How much can fees increase? Is there a cap?
- How often?
- Requirements for communicating fee increases to residents.
• What are the provisions when a resident decides to leave?
• Are there any special provisions within the first year?
• What is the required notice?
• How long does the monthly fee continue?
• What happens when a resident dies?
• Inquire when entrance fee refund will be returned.
• For-profit vs. not for-profit
• Privately held vs. publically held
• Owner operated vs. management agreement
• Single community vs. multiple communities
• Where does the for-profit community derive its profits?
  – Monthly fees?
  – Another source?
• Does the community have an occupancy threshold beyond which the community becomes “resident funded”?
• Effective budgeting
• Effective cost control
• Phased opening of care venues
• Effective labor planning
Federal oversight likely to increase

State regulations obligate CCRCs

Oversight by the Colorado Division of Financial Services
  - Annual audits
  - Quarterly and annual reporting

Financial statement audit

Resident involvement

Financial transparency

Management’s emphasis on financial review
Your client will most likely undergo two reviews prior to being accepted for residency:

- Medical
  - Includes a self assessment of ability to live independently
  - Also includes statements from your clients’ doctors regarding their medical diagnoses and ability to live independently
  - And a visit with the on-site wellness nurse
Reviews prior to acceptance for residency

- Financial
  - Your client will be asked to supply tax returns, brokerage statements, house value, bank statements
  - Data most likely will be entered into a spreadsheet or software model that will evaluate whether your client has sufficient resources to reach their life expectancy
<table>
<thead>
<tr>
<th>Business Models, Oversight, Finances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
</tr>
</tbody>
</table>

Reviews prior to acceptance for residency

- These reviews will vary in structure and rigor from community to community
What happens if your client runs out of money

- Defer monthly fees against entrance fee refund
- Resident assistance fund at some communities
Reserves

- State required operating reserves
  - Vary by state but generally a percentage of operating expenses
  - In Colorado, 20% of previous year’s operating expenses (excluding interest expense, depreciation and amortization)

- Capital replacement reserve
  - Generally a fixed percentage of revenue
  - At Vi, currently 4%
  - Used to replace capital items as community ages
Reserves

- Debt reserves
  - Required by lender(s) as a cure for default on covenants
  - State statutes also may require debt reserves. For instance, Colorado requires a reserve of:
    - 18 month interest and principal for any debt collateralized by the facility that requires a balloon payment
    - 12 months interest and principal for all other debt collateralized by facility
Deposits held in escrow

- Prospective residents wishing to reserve an apartment leave a deposit (Vi = 10% of entrance fee)
- Colorado law requires those deposits to be held in escrow at a bank with a branch in the State
- Shown as “restricted cash” or “assets limited as to use” on the balance sheet
- Your clients should inquire as to the terms of the deposit, its refundability and timing of refund

Reserves
Assets limited as to use are reported in the accompanying balance sheets as follows:

<table>
<thead>
<tr>
<th>Current portion of assets limited as to use:</th>
<th>December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident deposits</td>
<td>$ 262,347</td>
<td>$ 320,248</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets limited as to use – by Company for capital improvements</th>
<th>December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 395,843</td>
<td>$ 117,729</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets limited as to use – by Company under Construction Loan agreement</th>
<th>December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>—</td>
<td>$ 2,637,074</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets limited as to use – by Company for state reserves</th>
<th>December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,304,922</td>
<td>2,059,795</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total assets limited as to use, net of amounts required for current liabilities</th>
<th>December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,700,765</td>
<td>4,814,598</td>
</tr>
</tbody>
</table>
Other Financial Terms

- Cost to acquire initial continuing care contracts
- Deferred financing costs
- Deferred revenue from nonrefundable entrance fees
CC-DENVER, INC.
Balance Sheets
December 31, 2010 and 2009

<table>
<thead>
<tr>
<th>Assets</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$652,505</td>
<td>2,116,508</td>
</tr>
<tr>
<td>Assets limited as to use, required for current liabilities</td>
<td>262,347</td>
<td>320,248</td>
</tr>
<tr>
<td>Resident accounts receivable</td>
<td>372,907</td>
<td>49,823</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>202,639</td>
<td>210,611</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1,490,398</td>
<td>2,697,190</td>
</tr>
<tr>
<td>Assets limited as to use, net of amounts required for current liabilities</td>
<td>2,700,765</td>
<td>4,814,598</td>
</tr>
<tr>
<td>Property and equipment:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>6,670,692</td>
<td>6,670,692</td>
</tr>
<tr>
<td>Building and improvements</td>
<td>113,434,763</td>
<td>113,426,247</td>
</tr>
<tr>
<td>Furniture, fixtures, and equipment</td>
<td>10,275,013</td>
<td>10,222,006</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>116,559</td>
<td>15,064</td>
</tr>
<tr>
<td><strong>Total property and equipment</strong></td>
<td>130,497,027</td>
<td>130,334,009</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>14,454,150</td>
<td>8,590,973</td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td>116,042,877</td>
<td>121,743,036</td>
</tr>
<tr>
<td>Cost to acquire initial continuing care contracts, net</td>
<td>6,645,317</td>
<td>7,342,017</td>
</tr>
<tr>
<td>Deferred finance costs, net</td>
<td></td>
<td>476,839</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$126,879,357</td>
<td>137,073,680</td>
</tr>
</tbody>
</table>
Current liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$252,677</td>
<td>174,765</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>1,178,516</td>
<td>1,080,692</td>
</tr>
<tr>
<td>Prepaid resident service revenue</td>
<td>9,255</td>
<td>—</td>
</tr>
<tr>
<td>Due to affiliates</td>
<td>189,357</td>
<td>136,080</td>
</tr>
<tr>
<td>Current portion of refundable entrance fees</td>
<td>277,740</td>
<td>583,290</td>
</tr>
<tr>
<td>Resident deposits</td>
<td>262,347</td>
<td>320,248</td>
</tr>
</tbody>
</table>

Total current liabilities

2,169,892

2,295,075

Construction loan

Refundable entrance fees

Deferred revenue from nonrefundable entrance fees

Deferred tax liability

Total liabilities

83,334,550

120,359,605

Shareholder’s equity:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional paid-in capital</td>
<td>67,446,021</td>
<td>33,838,777</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(23,901,214)</td>
<td>(17,124,702)</td>
</tr>
</tbody>
</table>

Total shareholder’s equity

43,544,807

16,714,075

Total liabilities and shareholder’s equity

$126,879,357

137,073,680

See accompanying notes to financial statements.
# CC-DENVER, INC.
## Statements of Operations
### Years ended December 31, 2010 and 2009

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resident service revenue</td>
<td>$10,014,622</td>
<td>6,961,720</td>
</tr>
<tr>
<td>Amortization of entrance fees</td>
<td>1,002,565</td>
<td>977,940</td>
</tr>
<tr>
<td>Interest income</td>
<td>3,471</td>
<td>4,777</td>
</tr>
<tr>
<td>Other income</td>
<td>58,241</td>
<td>43,369</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>11,078,899</td>
<td>7,987,806</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food and beverage</td>
<td>1,347,374</td>
<td>1,052,149</td>
</tr>
<tr>
<td>Dining room</td>
<td>657,795</td>
<td>568,450</td>
</tr>
<tr>
<td>Housekeeping</td>
<td>437,702</td>
<td>378,882</td>
</tr>
<tr>
<td>Laundry</td>
<td>73,282</td>
<td>57,316</td>
</tr>
<tr>
<td>Residence activities</td>
<td>1,015,182</td>
<td>777,485</td>
</tr>
<tr>
<td>Personal care</td>
<td>1,709,500</td>
<td>390,212</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>825,421</td>
<td>743,476</td>
</tr>
<tr>
<td>Utilities</td>
<td>662,703</td>
<td>566,517</td>
</tr>
<tr>
<td>Marketing</td>
<td>921,995</td>
<td>934,967</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>7,650,954</td>
<td>5,469,454</td>
</tr>
<tr>
<td>Management fees</td>
<td>803,431</td>
<td>559,359</td>
</tr>
<tr>
<td>Property taxes</td>
<td>475,000</td>
<td>472,042</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>7,036,716</td>
<td>6,769,853</td>
</tr>
<tr>
<td>Administration</td>
<td>1,759,883</td>
<td>1,545,469</td>
</tr>
<tr>
<td>Insurance</td>
<td>364,355</td>
<td>361,436</td>
</tr>
<tr>
<td>Interest expense</td>
<td>317,049</td>
<td>971,518</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>18,407,388</td>
<td>16,149,131</td>
</tr>
<tr>
<td><strong>Loss before income taxes</strong></td>
<td>(7,328,489)</td>
<td>(8,161,325)</td>
</tr>
<tr>
<td><strong>Income tax benefit</strong></td>
<td>(2,722,710)</td>
<td>(2,987,972)</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$(4,605,779)</td>
<td>$(5,173,353)</td>
</tr>
</tbody>
</table>
### RATIOS

#### Days in Accounts Receivable

**Calculation:**

\[
\frac{365 \text{ Days} \times \text{Average Receivables}}{\text{Resident Service Revenue}}
\]

For Vi ($ in 000s):

\[
\frac{(365 \text{ Days} \times 211)}{10,000} = 7.7
\]

A summary of financial benchmarks for Florida CCRCs suggests a ratio of 30 or less.
### Days Cash on Hand

**Calculation:**

\[
\frac{\text{(Cash + Operating Reserve *)}}{\text{Operating Expenses/365 days}}
\]

**For Vi ($ in 000s):**

\[
\frac{2,958}{(9,411/365) \text{ days}} = 115
\]

*Without operating reserve = 25 days*

A summary of financial benchmarks for Florida CCRCs suggests a ratio of 120 days or more. **Note: will be less with breakeven budgeting and start-up community**
RATIOS

Debt service coverage

\[
\frac{(\text{Net inc.} + \text{depr. and amort.} + \text{interest exp.})}{\text{(Annual debt principal + interest)}}
\]

Debt service coverage (alternate)

As above but add cash from entrance fees in numerator

Long-term debt to total assets

\[
\frac{\text{Long-term debt}}{\text{Total assets}}
\]

Currently not applicable to Vi at Highlands Ranch
Resources

• **WWW.MEDICARE.GOV**
  Click “Resource Locator” and then “Nursing Home Compare” to find ratings and information on nursing homes in your area

• **WWW.DORA.STATE.CO.US**
  Colorado Department of Regulatory Agencies website. Click “Division of Financial Services” and then “Statutes” or “Rules and Regulations” to find those that apply to life care institutions

General resources for definitions, advice and providers:

• **WWW.SENIORHOMES.COM**
• **WWW.SENIORLIVINGSOURCE.ORG**
• **WWW.AARP.ORG**
Thank you

For more information, contact

Bill Kirschner
Director of Accounting
Vi at Highlands Ranch
720-348-7854

OR

Sarah Harman
Community Relations Manager
Vi at Highlands Ranch
720-348-7845