Sunrise Stratford, LP

Financial Statements as of and for the
Year Ended December 31, 2022, Other Financial
Information, and Independent Auditor's Reports

SUNRISE STRATFORD, LP

TABLE OF CONTENTS

Deloitte & Touche LLP
7900 Tysons One Place, Suite 800
McLean, VA 22102
USA
Tel: 703-251-1000
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Partners of Sunrise Stratford, LP:

Opinion

We have audited the financial statements of Sunrise Stratford, LP (the “Partnership”), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, changes in partners’ capital, and cash flows for the year then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership 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 (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Partnership 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 Partnership'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership'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.

Deloitte & Touche LLP

April 13, 2023

SUNRISE STRATFORD, LP

BALANCE SHEET
AS OF DECEMBER 31, 2022

ASSETS	
CURRENT ASSETS:	
Accounts receivable—net of allowance for doubtful accounts of $73,418	$ 439,264
Prepaid expenses and other assets	171,747
Total current assets	611,011
UTILITY DEPOSIT	31,137
PROPERTY AND EQUIPMENT:	
Furniture, fixtures, and equipment	96,533
Construction in progress	203,509
Total property and equipment	300,042
Less accumulated depreciation	(66,379)
Property and equipment—net	233,663
MANAGEMENT RIGHTS INTANGIBLE—Net of accumulated amortization of $8,029,390	6,643,607
TOTAL ASSETS	$ 7,519,418
LIABILITIES AND PARTNERS' CAPITAL	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 474,422
Deferred revenue	200,059
Total current liabilities	674,481
Total liabilities	674,481
PARTNERS' CAPITAL	6,844,937
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 7,519,418

See notes to financial statements.

SUNRISE STRATFORD, LP

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

OPERATING REVENUE:	
Resident revenue	$ 6,183,119
Other revenue	684,490
Total operating revenue	6,867,609
OPERATING EXPENSES:	
Labor	4,046,951
General and administrative	561,777
Depreciation and amortization	501,653
Management fees to affiliate	491,596
Food	413,450
Utilities	269,644
Insurance	248,707
Repairs and maintenance	266,595
Ancillary expenses	34,774
Advertising and marketing	138,091
Bad debt expense	6,972
Taxes and licenses	16,434
Total operating expenses	6,996,644
NET LOSS	$ (129,035)

See notes to financial statements.

SUNRISE STRATFORD, LP

STATEMENT OF CHANGE IN PARTNERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022

PARTNERS' CAPITAL—January 1, 2022	$ 6,755,118
Net loss	(129,035)
Contributions	7,430,878
Distributions	(7,212,024)
PARTNERS' CAPITAL—December 31, 2022	$ 6,844,937

See notes to financial statements.

SUNRISE STRATFORD, LP

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from residents who did have a continuing care contract	5,908,829
Cash received from residents who did not have a continuing care contract	70,449
Cash received from other sources	684,490
Cash paid for labor	(4,006,878)
Cash paid for administrative expenses	(1,634,753)
Cash paid for insurance	(245,589)
Cash paid for food	(413,450)
Cash paid for management fee	(491,596)
Net cash used in operating activities	(128,498)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(761,973)
Reimbursements of property and equipment	671,617
Net cash used in investing activities	(90,356)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Contributions	7,430,878
Distributions	(7,212,024)
Net cash provided by financing activities	218,854
NET INCREASE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS — Beginning of year	-
CASH AND CASH EQUIVALENTS — End of year	$ -
SUPPLEMENTAL DISCLOSURE NONCASH ITEMS	
Accrued capital expenditures	$ 1,986

(Continued)

SUNRISE STRATFORD, LP

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

RECONCILIATION OF NET INCOME TO NET CASH USED IN OPERATING ACTIVITIES:		
Net loss	$	(129,035)
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for bad debt		6,972
Depreciation and amortization		501,653
Changes in operating assets and liabilities:		
Accounts receivable		(219,312)
Prepaid expenses and other assets		(110,464)
Accounts payable and accrued expenses		(193,783)
Deferred revenue		15,471
Net cash used in operating activities	$	(128,498)

See notes to financial statements.

1. ORGANIZATION AND PRESENTATION

Organization—On August 1, 2006, Sunrise Stratford, LP (the "Partnership"), a Delaware limited partnership, acquired all easements and rights for The Stratford ("Stratford"), a licensed residential care facility for the elderly, from Raiser Resources, LLC. The Partnership is a wholly owned subsidiary of Sunrise Senior Living Services, Inc. ("Sunrise").

Stratford filed declaration as a condominium and a continuing care retirement community (CCRC) in San Mateo City and County, California, on July 29, 1992. As a condition of ownership, each owner of a condominium is required to enter into a continuing care agreement ("CCRC Agreement") with JHR Trust, an affiliate of Raiser Resources, LLC. The Partnership manages Stratford and markets vacant units on behalf of the condominium owners. The Partnership is entitled to transfer fees on the sale of a condominium unit in accordance with the CCRC Agreements.

The CCRC Agreements stipulate, among other things, monthly fees, the terms of resale of condominiums, transfer fees due at resale, an initial payment to The Laurel Avenue Trust (the "Trust"), and the Partnership's obligation to provide both health care and nonhealth care services. In addition, the CCRC Agreements provide the Partnership with the right to increase future monthly fees.

Certain resident and admission agreements entitle residents to receive limited amounts of health care up to defined maximums.

The Trust is administered in accordance with the Trust agreement, which requires that the principal and income from investment of the principal be used for the benefit of the residents of Stratford, including—but not limited to—payment for medical and health-related costs, the replacement of fixtures and equipment, structural upgrades, other capital improvements, and interest-bearing loans to residents who become unable to pay their monthly fees or other fees. The Trust is administered by three trustees, two of whom are appointed by Sunrise and one of whom is appointed by Stratford of San Mateo Homeowners Association. Each year, there is a cash transfer between the Trust and the Partnership. The transfer is calculated as net operating income, adjusted for marketing expense, wages and benefits, bad debt, and commissions received on unit sales. The net amount, whether positive (transfer to the Trust) or negative (transfer from the Trust), is included in general and administrative expense in the statement of operations. For the year ended December 31, 2022, the Trust has agreed to transfer $350,202 to the Partnership. This amount is included in "accounts receivable" as of December 31, 2022.

Because Sunrise has the right to appoint two of the three trustees, it is deemed to control the Trust and consolidates the Trust in its financial statements. The Partnership has no direct interest in the Trust and does not have the right to appoint a trustee. Based on such and other applicable criteria, the Partnership does not consolidate the Trust.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The Partnership's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes to the financial statements. Significant estimates and assumptions have been made with respect to the useful lives of assets, recoverability of management rights, recoverable amounts of receivables, amortization rate of deferred revenue, and present value of estimated costs to be incurred under CCRC Agreements. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash transactions are processed by Sunrise and balances are maintained in Sunrise's cash concentration account.

Allowance for Doubtful Accounts—The Partnership provides an allowance for doubtful accounts on its outstanding receivables based on an analysis of collectability, including collection history, age of the account, and payer type and generally do not require collateral to support outstanding balances. Write-offs of accounts are made after collection efforts have been exhausted.

Furniture and Equipment—Furniture and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of 3 to 10 years. Depreciation expense was $12,553 in 2022. Losses on asset disposals were $0 in 2022.

The Partnership assesses the carrying value of held-for-use assets when events or changes in circumstances indicate that the carrying value may not be recoverable. We test the related assets held for use for impairment by comparing the sum of the expected future undiscounted cash flows to the carrying value of the related assets. The expected future undiscounted cash flows are calculated utilizing the lowest level of identifiable cash flows that are largely independent of the cash flows of other assets and liabilities. If the carrying value exceeds the expected future undiscounted cash flows, an impairment loss will be recognized to the extent that the carrying value of the real estate and related assets are greater than their fair values. No impairment charges were recorded in 2022.

Management Rights—The Partnership acquired all easements and rights for Stratford as a part of the acquisition from Raiser Resources, LLC. The rights included the right to manage Stratford for a management fee and the right to transfer fees, including a commission of a percentage of the sale price on each condominium unit sold by an owner, plus a percentage of the appreciation in value. Management rights were recorded at fair value at acquisition and are being amortized using the straight-line method over the estimated useful life of 30 years. Amortization expense was $489,100 for the year ended December 31, 2022.

Management rights are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. Impairment is recognized when the asset's undiscounted expected cash flows are not sufficient to recover its carrying amount. The Partnership measures an impairment loss for such assets by comparing the fair value of the asset to its carrying amount. No impairment charges were recorded in 2022.

Revenue Recognition and Deferred Revenue—Operating revenue consists of resident fee revenue. Revenue from resident fees and services is predominantly service based. We recognize revenue for resident care services in accordance with the provisions of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*. Although there are various tasks and activities performed by us under the contracts, we have determined that all resident care services are a single performance obligation, which is satisfied over time as the services are rendered. Agreements with residents are generally for a term of one year and are cancelable by residents with 30- to 90-day notice. The Partnership bills the residents one month in advance of the services being rendered and, therefore, cash payments received for services are recorded as deferred revenue, until the services are rendered and the revenue is earned.

Upon sale of a condominium by an owner, the Partnership receives a commission of 7% of the sale price, net of transactions costs, plus a percentage of the appreciation in price of the condominium. These fees are recognized when received and are recorded in other revenue in the amount of $657,105 for 2022.

Future Service Obligation on CCRC Agreement—When the present value of estimated costs to be incurred under CCRC Agreements exceeds estimated revenues, the present values of such excess costs are accrued currently. The estimated future revenues assume a future increase in the monthly revenue commensurate with the monthly cost. The calculations at December 31, 2022, using a 5% discount rate, resulted in an expected positive net present value cash flows and, as such, no liability has been recorded in the accompanying financial statements.

Income Taxes—No provision has been made for federal and state income taxes, as the liability for such taxes, if any, is that of the partners and not the Partnership. The Partnership is subject to franchise taxes in the state of California where the property is located. These tax expenses are accrued and are included in taxes and license fees in the accompanying financial statements. Gross receipts and state and local tax expense was $5,455 in 2022.

The Accounting Standards Codification Topic (ASC) 740-10-25, *Income Taxes—Overall Recognition*, describes a comprehensive model for the measurement, recognition, presentation, and disclosure of uncertain tax positions in the financial statements. Under the interpretation, the financial statements will reflect expected future tax consequences of such positions presuming the tax authorities have full knowledge of the position and all relevant facts, but without considering time values. The Partnership adheres to the provisions of this statement. The Partnership has no uncertain tax positions that require an accrual at December 31, 2022.

The statute of limitations for the Internal Revenue Service (IRS) and the State of California to perform audits on the Partnership are three and four years, respectively. The Partnership is currently not under an audit by any tax jurisdiction. Federal tax years December 31, 2019 through December 31, 2022 are open and subject to IRS audit. Tax years December 31, 2018 through December 31, 2022 are open and remain subject to California State audit.

3. COVID-19 PANDEMIC

The United States broadly continues to experience the pandemic caused by COVID-19, which has significantly disrupted, and likely will continue to significantly disrupt for some period, the global economy and the senior living industry. The extent to which the COVID-19 pandemic impacts the Partnership's operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity, and duration of the pandemic; the actions taken to contain the pandemic or mitigate its impact; and the direct and indirect economic effects of the pandemic and containment measures, among others. The COVID-19 pandemic could have material and adverse effect on the Partnership's financial condition, results of operations, and cash flows in the future.

4. TRANSACTIONS WITH AFFILIATES

The Partnership has a management agreement with Sunrise Senior Living Management, Inc. (SSLMI) to manage the facility. The agreement provided for a monthly fee of 7.1% of gross operating revenue. Total management fees incurred were $491,596 in 2022.

The Partnership obtained worker's compensation, professional and general liability, and property coverage through Sunrise Senior Living Insurance, Inc., an affiliate of Sunrise. Related expenses totaled $248,707 in 2022.

The Partnership and SSLMI do not settle cash received or paid in affiliated transactions at the subsidiary level; therefore, the affiliated activity between SSLMI and the Partnership for the year 2022 has been included in contributions and distributions in the statement of changes in partners' capital for the year ended December 31, 2022. Distributions represent cash collected from residents and subsequently remitted to Sunrise. Contributions represent the net of all other operating activities recorded through intercompany and paid by Sunrise, plus noncash financing activities.

5. CONTINGENCIES

The Partnership is involved in claims and lawsuits incidental to the ordinary course of business. While the outcome of these claims and lawsuits cannot be predicted with certainty, management of the Partnership does not believe the ultimate resolution of these matters will have a material adverse effect on the Partnership's financial position.

6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 13, 2023, the date these financial statements were issued. No subsequent events were identified.

* * * * * *

OTHER FINANCIAL INFORMATION

Deloitte & Touche LLP
7900 Tysons One Place, Suite 800
McLean, VA 22102
USA
Tel: 703-251-1000
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Partners of Sunrise Stratford, LP:

We have audited the accompanying financial statements of Sunrise Stratford, LP (the "Partnership"), the schedules of long-term debt, net operating expenses, and liquid reserve amount in Forms 5-1 through 5-5 (the "Schedules") as of December 31, 2022, which comprise the Long-Term Debt Incurred in a Prior Fiscal Year, Long-Term Debt Incurred During the Fiscal Year, Calculation of Long-Term Debt Reserve Amount, Calculation of Net Operating Expenses, and Annual Reserve Certification, respectively, for the Partnership, as of December 31, 2022, and for the year then ended, and the related notes to the Schedules.

In our opinion, the accompanying Schedules present fairly, in all material respects, the long-term debt, net operating expenses, and liquid reserve amount in Forms 5-1 through 5-5 of Sunrise Stratford, LP as of December 31, 2022, and for the year then ended, on the basis of financial reporting provisions of the California Health and Safety Code section 1792 as instructed under the State of California Department of Social Services Annual Report Instructions dated January 1, 2019.

Basis for Opinion

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

Basis of Accounting

We draw attention to Note 3 of the Schedules, which describes the basis of accounting. As described in Note 3 to the Schedules, the Schedules are prepared by the Partnership on the basis of the State of California Department of Social Services Annual Report Instructions dated January 1, 2019, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of California Department of Social Services. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Schedules

Management is responsible for the preparation and fair presentation of these Schedules in accordance with the financial reporting provisions of the California Health and Safety Code section 1792, as instructed under the State of California Department of Social Services Annual Report Instructions dated January 1, 2019. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the Schedules 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 GAAS 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 Schedules.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedules, 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 Schedules.
- 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 Partnership'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 Schedules.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership'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.

Restriction on Use

Our report is intended solely for the information and use of the Partners and the State of California and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

April 13, 2023

SUNRISE STRATFORD, LP

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

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	**Date Incurred**	**Principal Paid During Fiscal Year**	**Interest Paid During Fiscal Year**	**Credit Enhancement Premiums Paid in Fiscal Year**	**Total Paid (Columns (b)+(c)+(d))**
None		$ -	$ -	$ -	$ -
Total		$ -	$ -	$ -	$ -

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

SUNRISE STRATFORD, LP

FORM 5-2-LONG-TERM DEBT INCURRED DURING THE FISCAL YEAR (Including balloon debt)

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	**Date Incurred**	**Total Interest Paid During Fiscal Year**	**Amount of Most Recent Payment on the Debt**	**Number of Payments Over Next 12 Months**	**Reserve Requirement (See Instruction 5) (Columns (c) x (d))**
None		$ -	$ -	$ -	$ -
Total		$ -	$ -	$ -	$ -

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

SUNRISE STRATFORD, LP

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

Line		Total
[1]	Total from Form 5-1 bottom of Column (e)	$ -
[2]	Total from Form 5-2 bottom of Column (e)	$ -
[3]	Facility leasehold or rental payment paid by provider during fiscal year (including related payments, such as lease insurance)	$ -
[4]	Total amount required for long-term debt reserve	$ -

SUNRISE STRATFORD, LP

FORM 5-4-CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	Total
[1]	Total operating expenses from financial statements		$6,996,644
[2]	Deductions		
	a Interest paid on long-term debt (see instructions)	$ -	
	b Credit enhancement premiums paid for long-term debt (see instructions)	-	
	c Depreciation	12,553	
	d Amortization	489,100	
	e Revenues received during the fiscal year for services to persons who did not have a continuing care contract	70,449	
	f Extraordinary expenses approved by the department	-	
[3]	Total deductions		572,102
[4]	Net operating expenses		6,424,542
[5]	Divide Line 4 by 365 and enter the result		17,601
[6]	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		$1,320,075

SUNRISE STRATFORD, LP

FORM 5-5-ANNUAL RESERVE CERTIFICATION

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

[1]	Debt service reserve amount	$ -
[2]	Operating expense reserve amount	1,320,075
[3]	Total liquid reserve amount	$ 1,320,075

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

	Qualifying Asset Description		Amount Debt Service Reserve		Operating Reserve
[4]	Cash and cash equivalents		$ -		$25,982,287
[5]	Investment securities				
[6]	Equity securities				
[7]	Unused/available lines of credit				
[8]	Unused/available letters of credit				
[9]	Debt service reserve				(not applicable)
[10]	Other				
	Total amount of qualifying assets listed for liquid reserve	[11]	$ -	[12]	$25,982,287
	Total amount required	[13]	$ -	[14]	$ 1,320,075
	Surplus/(deficiency)	[15]	$ -	[16]	$24,662,212

Cash and cash equivalents reported in Form 5-5 are held by the parent company, Sunrise (Note 5, Liquid Reserve Amount).

1. ORGANIZATION AND PRESENTATION

Organization—On August 1, 2006, Sunrise Stratford, LP (the "Partnership"), a Delaware limited partnership, acquired all easements and rights for The Stratford ("Stratford"), a licensed residential care facility for the elderly, from Raiser Resources, LLC. The Partnership is a wholly owned subsidiary of Sunrise Senior Living Services, Inc. ("Sunrise").

Stratford filed declaration as a condominium and a continuing care retirement community (CCRC) in San Mateo City and County, California, on July 29, 1992. As a condition of ownership, each owner of a condominium is required to enter into a continuing care agreement ("CCRC Agreement") with JHR Trust, an affiliate of Raiser Resources, LLC. The Partnership manages Stratford and markets vacant units on behalf of the condominium owners. The Partnership is entitled to transfer fees on the sale of a condominium unit in accordance with the CCRC Agreements.

The CCRC Agreements stipulate, among other things, monthly fees, the terms of resale of condominiums, transfer fees due at resale, an initial payment to The Laurel Avenue Trust (the "Trust"), and the Partnership's obligation to provide both health and nonhealth care services. In addition, the CCRC Agreements provide the Partnership with the right to increase future monthly fees.

Certain resident and admission agreements entitle residents to receive limited amounts of health care up to defined maximums.

The Trust is administered in accordance with the Trust Agreement, which requires that the principal and income from investment of the principal be used for the benefit of the residents of Stratford, including—but not limited to—payment for medical and health-related costs, the replacement of fixtures and equipment, structural upgrades, other capital improvements, and interest-bearing loans to residents who become unable to pay their monthly fees or other fees. The Trust is administered by three trustees, two of whom are appointed by Sunrise and one of whom is appointed by Stratford of San Mateo Homeowners Association. Each year, there is a cash transfer between the Trust and the Partnership. The transfer is calculated as net operating income, adjusted for marketing expense, wages and benefits, bad debt, and commissions received on unit sales. The net amount, whether positive (transfer to the Trust) or negative (transfer from the Trust), is included in general and administrative expense in the statement of operations. For the year ended December 31, 2022, the Trust has agreed to transfer $350,202 to the Partnership. This amount is included in "accounts receivable" as of December 31, 2022.

Because Sunrise has the right to appoint two of the three trustees, it is deemed to control the Trust and consolidates the Trust in its financial statements. The Partnership has no direct interest in the Trust and does not have the right to appoint a trustee. Based on such and other applicable criteria, the Partnership does not consolidate the Trust.

2. PURPOSE OF THE ANNUAL RESERVE CALCULATION

As the Partnership operates as a CCRC, the Partnership is required to file Forms 5-1 through 5-5 of the California Health and Safety Code Section 1792 (the "Schedules") as instructed under the State of California Department of Social Services (DSS) Annual Report Instructions issued on January 1, 2007, for the year ended December 31, 2022. The purpose of the Schedules is to determine the amount the Partnership must hold in its liquid reserves for debt service and operating expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The Partnership's Schedules are prepared as instructed under the State of California DSS Annual Report Instructions issued on January 1, 2007.

Cash and Cash Equivalents—Cash transactions are processed by Sunrise and balances are maintained in Sunrise's cash concentration account. Cash and cash equivalents include currency on hand, demand deposits, and all highly liquid investments with a maturity of three months or less at the date of purchase.

4. REVENUE FROM NONCONTINUING CARE RESIDENTS

The Partnership has deducted $70,449 on Form 5-4 line 2 (e) for revenues received during the fiscal year for services to persons who did not have a continuing care contract. The revenue represents service fees received for nonresident revenues and short-term respite stays in assisted living for noncontinuing care residents.

5. LIQUID RESERVE AMOUNT

No cash and cash equivalents are held by the Partnership. Cash is consolidated and held by Sunrise. In order to provide a more complete portrayal of the assets available to meet the required reserves, DSS has requested the Form 5-5 be adjusted to reflect the qualifying assets from the audited financial statement of Sunrise.

* * * * * *