

2024 ANNUAL REPORT
SUNRISE STRATFORD, LP

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	77
[2]	Number at end of fiscal year	76
[3]	Total Lines 1 and 2	153
[4]	Multiply line 3 by ".50" and enter result on line 5	0.5
[5]	Mean number of continuing care residents	76.5
All Residents		
[6]	Number at beginning of fiscal year	86
[7]	Number at end of fiscal year	82
[8]	Total Lines 6 and 7	168
[9]	Multiply line 8 by ".50" and enter result on line 10	0.5
[10]	Mean number of <i>all</i> residents	84
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.91

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$ 7,784,561
[a]	Depreciation	\$ 14,436
[b]	Debt Service (Interest only)	\$ -
[2]	Subtotal (add Line 1a and 1b)	\$ 14,436
[3]	Subtract Line 2 from Line 1 and enter result	\$ 7,770,125
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	0.91
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$ 7,076,364
		x .001
[6]	Total Amount Due	\$ 7,076.36

PROVIDER: Sunrise Stratford LP

COMMUNITY: The Stratford



April 28, 2025

Continuing Care Branch
California Department of Social Services
744 P Street, MS 9-14-91
Sacramento, CA 95814
ATTN: Jennifer Houston

Dear Ms. Houston:

This letter will serve as a certification on behalf of Sunrise Stratford LP to the California Department of Social Services for the following matters regarding the enclosed annual report for 2024 that Sunrise Stratford LP is submitting as the holder of a certificate of authority for The Stratford:

1. The annual report and any amendments to it are correct to the best of my knowledge.
2. Each continuing care contract form in use or offered to new residents at The Stratford has been approved by the Department.
3. Sunrise Stratford LP does not maintain cash or cash equivalents. Sunrise Senior Living, LLC, in its role as co-holder of the certificate of authority at The Stratford, is responsible for meeting the liquid reserve requirements in the California continuing care statute on behalf of Sunrise Stratford LP. Therefore, Form 5-5 lists under "Operating Reserve" the amount of cash and cash equivalents maintained by Sunrise Senior Living LLC, as set forth in Sunrise Senior Living, LLC's audited financial statements for 2024. A copy of the relevant portions of that statement is included with Form 5-5. See Form 5-5 and footnote 5 to the 2024 financial statement of Sunrise Stratford LP.

Please feel free to contact us if you have any questions about our submissions.

Sincerely,

Jack R. Callison, Jr.

Chief Executive Officer, Sunrise Senior Living, LLC

Community Support Office

7902 Westpark Drive | McLean, VA 22102 | Direct dial: (703) 854-0648

SunriseSeniorLiving.com



CERTIFICATE OF LIABILITY INSURANCE

DATE(MM/DD/YYYY)
04/02/2025

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 Aon Risk Services Central, Inc. Philadelphia PA Office 100 North 18th Street 16th Floor Philadelphia PA 19103 USA	CONTACT NAME: PHONE (A/C, No, Ext): (866) 283-7122 FAX (A/C, No.): (800) 363-0105 E-MAIL ADDRESS:														
INSURED Sunrise Senior Living, LLC 7902 Westpark Drive McLean VA 22102 USA	<table><tr><th>INSURER(S) AFFORDING COVERAGE</th><th>NAIC #</th></tr><tr><td>INSURER A: Continental Casualty Company</td><td>20443</td></tr><tr><td>INSURER B:</td><td></td></tr><tr><td>INSURER C:</td><td></td></tr><tr><td>INSURER D:</td><td></td></tr><tr><td>INSURER E:</td><td></td></tr><tr><td>INSURER F:</td><td></td></tr></table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A: Continental Casualty Company	20443	INSURER B:		INSURER C:		INSURER D:		INSURER E:		INSURER F:	
INSURER(S) AFFORDING COVERAGE	NAIC #														
INSURER A: Continental Casualty Company	20443														
INSURER B:															
INSURER C:															
INSURER D:															
INSURER E:															
INSURER F:															

COVERAGES **CERTIFICATE NUMBER:** 570111926785 **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.

Limits shown are as requested

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 <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC <input type="checkbox"/> OTHER:						EACH OCCURRENCE	
							DAMAGE TO RENTED PREMISES (Ea occurrence)	
							MED EXP (Any one person)	
							PERSONAL & ADV INJURY	
							GENERAL AGGREGATE	
							PRODUCTS - COMP/OP AGG	
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS ONLY						COMBINED SINGLE LIMIT (Ea accident)	
							BODILY INJURY (Per person)	
							BODILY INJURY (Per accident)	
							PROPERTY DAMAGE (Per accident)	
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input type="checkbox"/> RETENTION						EACH OCCURRENCE	
							AGGREGATE	
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR / PARTNER / EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below <input type="checkbox"/> Y/N <input type="checkbox"/> N/A						PER STATUTE <input type="checkbox"/> OTHER <input type="checkbox"/>	
							E.L. EACH ACCIDENT	
							E.L. DISEASE-EA EMPLOYEE	
							E.L. DISEASE-POLICY LIMIT	
A	Employment Practices Liability Primary			596786770 Claims Made SIR applies per policy terms & conditions	09/01/2024	09/01/2025	Aggregate SIR	\$10,000,000 \$350,000

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

RE: The Carlisle, 1450 Post Street, San Francisco, CA 94109, The Stratford, 601 Laurel Avenue, San Mateo, CA 94401.

CERTIFICATE HOLDER State of California Dept. of Social Services 6167 Bristol Pkwy., Suite 400 Culver City CA 90230 USA	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 <i>Aon Risk Services Central, Inc.</i>
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Holder Identifier :

570111926785

Certificate No :





POLICY NUMBER

CARRIER

NAIC CODE

NAMED INSURED

EFFECTIVE DATE:

FORM NUMBER: ACORD 25 **FORM TITLE:** Certificate of Liability Insurance

[illegible]



CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)
04/02/2025

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.

PRODUCER Aon Risk Services Central, Inc. Philadelphia PA Office 100 North 18th Street 16th Floor Philadelphia PA 19103 USA	CONTACT NAME: PHONE (A/C. No. Ext): (866) 283-7122 FAX (A/C. No.): (800) 363-0105 E-MAIL ADDRESS: PRODUCER CUSTOMER ID #: 570000060194														
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INSURER D:															
INSURER E:															
INSURER F:															

Holder Identifier :

COVERAGES **CERTIFICATE NUMBER:** 570111926798 **REVISION NUMBER:**

LOCATION OF PREMISES/ DESCRIPTION OF PROPERTY (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

RE: The Carlisle, 1450 Post Street, San Francisco, CA 94109, The Stratford, 601 Laurel Avenue, San Mateo, CA 94401.

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INSR LTR	TYPE OF INSURANCE		POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	COVERED PROPERTY	LIMITS
	<input type="checkbox"/>	PROPERTY				<input type="checkbox"/> BUILDING	
	<input type="checkbox"/>	CAUSES OF LOSS				<input type="checkbox"/> PERSONAL PROPERTY	
	<input type="checkbox"/>	<input type="checkbox"/> DEDUCTIBLES				<input type="checkbox"/> BUSINESS INCOME	
	<input type="checkbox"/>	<input type="checkbox"/> BASIC				<input type="checkbox"/> EXTRA EXPENSE	
	<input type="checkbox"/>	<input type="checkbox"/> BROAD				<input type="checkbox"/> RENTAL VALUE	
	<input type="checkbox"/>	<input type="checkbox"/> SPECIAL				<input type="checkbox"/> BLANKET BUILDING	
	<input type="checkbox"/>	<input type="checkbox"/> EARTHQUAKE				<input type="checkbox"/> BLANKET PERS PROP	
	<input type="checkbox"/>	<input type="checkbox"/> WIND				<input type="checkbox"/> BLANKET BLDG & PP	
	<input type="checkbox"/>	<input type="checkbox"/> FLOOD					
	<input type="checkbox"/>						
	<input type="checkbox"/>	INLAND MARINE	TYPE OF POLICY				
	<input type="checkbox"/>	CAUSES OF LOSS	POLICY NUMBER				
	<input type="checkbox"/>	<input type="checkbox"/> NAMED PERILS					
	<input type="checkbox"/>						
A	X	CRIME	596786767	04/30/2024	04/30/2025	X Employee Theft	\$5,000,000
		TYPE OF POLICY Crime - Primary	SIR applies per policy terms & conditions				
		BOILER & MACHINERY / EQUIPMENT BREAKDOWN					

570111926798

CERTIFICATE NUMBER:

SPECIAL CONDITIONS / OTHER COVERAGES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER

CANCELLATION

State of California
Dept. of Social Services
6167 Bristol Pkwy., Suite 400
Culver City CA 90230 USA

AUTHORIZED REPRESENTATIVE

Aon Risk Services Central Inc.

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Sunrise Stratford, LP

Financial Statements as of and for the
Year Ended December 31, 2024, Other Financial
Information, and Independent Auditor's Reports

SUNRISE STRATFORD, LP

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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, 2024, 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, 2024, 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.

A handwritten signature in dark ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

April 10, 2025

SUNRISE STRATFORD, LP

BALANCE SHEET AS OF DECEMBER 31, 2024

ASSETS

CURRENT ASSETS:

Accounts receivable—net of allowance for doubtful accounts of \$74,954	\$ 297,270
Prepaid expenses and other assets	<u>106,264</u>
Total current assets	<u>403,534</u>

UTILITY DEPOSIT	<u>31,137</u>
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FURNITURE AND EQUIPMENT

Furniture, fixtures, and equipment	100,679
Construction in progress	<u>1,000</u>

Total property and equipment	101,679
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Less accumulated depreciation	<u>(78,578)</u>
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Property and equipment—net	<u>23,101</u>
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MANAGEMENT RIGHTS INTANGIBLE—Net of accumulated amortization of \$9,007,590	<u>5,665,407</u>
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TOTAL ASSETS	<u><u>\$ 6,123,179</u></u>
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LIABILITIES AND PARTNERS' CAPITAL

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 483,865
Deferred revenue	<u>95,005</u>

Total current liabilities	<u>578,870</u>
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TOTAL LIABILITIES	<u>\$ 578,870</u>
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PARTNERS' CAPITAL	<u>5,544,309</u>
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TOTAL LIABILITIES AND PARTNERS' CAPITAL	<u><u>\$ 6,123,179</u></u>
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See notes to financial statements.

SUNRISE STRATFORD, LP

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2024

OPERATING REVENUE:

Resident revenue	\$ 7,005,435
Other revenue	<u>764,638</u>

Total operating revenue	<u>7,770,073</u>
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OPERATING EXPENSES:

Labor	4,453,438
General and administrative	755,477
Depreciation and amortization	503,536
Management fees to affiliate	561,478
Food	494,813
Utilities	353,117
Insurance	273,807
Repairs and maintenance	269,295
Ancillary expenses	32,497
Advertising and marketing	60,739
Bad debt expense	3,086
Taxes and licenses	<u>23,278</u>

Total operating expenses	<u>7,784,561</u>
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NET LOSS	<u><u>\$ (14,488)</u></u>
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See notes to financial statements.

SUNRISE STRATFORD, LP

STATEMENT OF CHANGES IN PARTNERS' CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2024

PARTNERS' CAPITAL — January 1, 2024	\$	6,397,947
Net loss		(14,488)
Contributions		7,042,166
Distributions		<u>(7,881,316)</u>
PARTNERS' CAPITAL — December 31, 2024	\$	<u>5,544,309</u>

See notes to financial statements.

SUNRISE STRATFORD, LP

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from residents who did have a continue care contract	\$ 6,807,043
Cash received from residents who did not have a continue care contract	132,259
Cash received from other sources	764,638
Cash paid for labor	(4,395,971)
Cash paid for administrative expenses	(1,140,847)
Cash paid for insurance	(266,043)
Cash paid for food	(494,813)
Cash paid for management fee	<u>(561,478)</u>

Net cash provided by operating activities	<u>844,788</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(284,289)
Reimbursements of property and equipment	<u>278,651</u>

Net cash used in investing activities	<u>(5,638)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES:

Contributions	7,042,166
Distributions	<u>(7,881,316)</u>

Net cash used in financing activities	<u>(839,150)</u>
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NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	-
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CASH AND CASH EQUIVALENTS — Beginning of year	<u>-</u>
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CASH AND CASH EQUIVALENTS — End of year	<u><u>\$ -</u></u>
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(Continued)

SUNRISE STRATFORD, LP

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Net loss	\$ (14,488)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Provision for bad debt	3,086
Depreciation and amortization	503,536
Changes in operating assets and liabilities:	
Accounts receivable	(38,295)
Prepaid expenses and other assets	281,607
Accounts payable and accrued expenses	137,180
Deferred revenue	<u>(27,838)</u>
Net cash provided by operating activities	<u>\$ 844,788</u>

See notes to financial statements.

SUNRISE STRATFORD, LP

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024

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 expenses, 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, 2024, the Trust has agreed to transfer \$183,482 to the Partnership. This amount is included in “accounts receivable” as of December 31, 2024. In addition, as the Trust is responsible for any payments relating to the replacement of fixtures and equipment, structural upgrades, and other capital improvements for the Stratford, the Trust reimburses the Partnership for payments made by the Partnership. As of December 31, 2024, the reimbursement amount due from the Trust to the Partnership was \$76,059 and is included in “prepaid expenses and other assets”.

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 records an allowance on its outstanding receivables based on an assessment of historical collection activity, as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary. 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 three to 10 years. Depreciation expense was \$14,436 in 2024. Losses on asset disposals were \$0 in 2024.

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. The Partnership tests 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 2024.

Management Rights—The Partnership acquired all easements and rights for Stratford as 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, 2024.

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 2024.

Revenue Recognition and Deferred Revenue—Operating revenue consists of resident fee revenue. Revenue from resident fees and services is predominantly service based. The Partnership recognizes revenue for resident care services in accordance with the provisions of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*. Although there are various tasks and activities performed by the Partnership under the contracts, the Partnership has 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 \$724,440 for 2024.

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, 2024, 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 \$5,646 in 2024.

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, 2024.

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, 2021, through December 31, 2024, are open and subject to IRS audit. Tax years December 31, 2020, through December 31, 2024, are open and remain subject to California State audit.

3. 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 \$561,478 in 2024.

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 \$273,807 in 2024.

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 2024 has been included in contributions and distributions in the statement of changes in partners' capital for the year ended December 31, 2024. 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.

4. 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.

5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 10, 2025, the date these financial statements were issued. No subsequent events were identified.

* * * * *

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, 2024 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, 2024, 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 the Partnership as of December 31, 2024, 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 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 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.

A handwritten signature in dark ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

April 10, 2025

Sunrise Senior Living, LLC
Consolidated Financial Statements
(See reports attached)

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 1)*

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		<u>7,784,561</u>
[2]	Deductions		
a	Interest paid on long term debt (see instructions)	\$ -	
b	Credit enhancement premiums paid for long-term debt (see instructions)	-	
c	Depreciation	14,436	
d	Amortization	489,100	
e	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	132,259	
f	Extraordinary expenses approved by the Department	<u>-</u>	
[3]	Total Deductions		<u>\$ (635,795)</u>
[4]	Net Operating Expenses		<u>\$ 7,148,766</u>
[5]	Divide Line 4 by 365 and enter the result		<u>\$ 19,586</u>
[6]	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<div style="border: 1px solid black; padding: 2px;">\$ 1,468,950</div>

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:

	Amount
[1] Debt Service Reserve Amount	\$ -
[2] Operating Expense Reserve Amount	\$ 1,468,950
[3] Total Liquid Reserve Amount	\$ 1,468,950

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		
[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] \$ -
Total Amount Required	[13] \$ -	[14] \$ 1,468,950
Surplus/(Deficiency)	[15] \$ -	[16] \$ (1,468,950)

**Form 5-5
Annual Reserve Certification**

Provider Name: Sunrise Stratford LP
Fiscal Year Ended: December 31, 2024

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for
for the period ended December 31, 2024 and are in compliance with those requirements.

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

		<u>Amount</u>
[1]	Debt Service Reserve Amount	\$ -
[2]	Operating Expense Reserve Amount	\$ 1,468,950
[3]	Total Liquid Reserve Amount	\$ 1,468,950

Qualifying assets sufficient to fulfill the above requirements are held as follows (SEE NOTE below):

	<u>Qualifying Asset Description</u>	<u>Amount</u>	
		<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4]	Cash and Cash Equivalents*		\$ 59,471,082
[5]	Investment Securities		
[6]	Equity Securities		
[7]	Unused/Available Lines of Credit		
[8]	Unused/Available Letters of Credit		
[9]	Debt Service Reserve		(not applicable)
[10]	Other:		
	(describe qualifying asset)		
	Total Amount of Qualifying Assets Listed for Liquid Reserve:	[11] \$ -	[12] \$ 59,471,082
	Total Amount Required	[13] \$ -	[14] \$ 1,468,950
	Surplus/(Deficiency)	[15] \$ -	[16] \$ 58,002,132

NOTE No cash and cash equivalents are held by Sunrise Stratford, LP. Cash is consolidated and held by Sunrise Senior Living, LLC. In order to provide a more complete portrayal of the assets available to meet the required reserves, DSS has requested Form 5-5 be revised to reflect the qualifying assets from the audited financial statements of Sunrise Senior Living, LLC.

SCHEDULE REVISIONS- UNAUDITED

Keith Bown
(Authorized Representative)

4-22-2025
(Date)

Chief Accounting Officer
(Title)

FORM 5-5

PART OF FORM 5-5, DESCRIPTION OF RESERVES AND ADDITIONAL DISCLOSURES

Provider Name: Sunrise Stratford, LP

Fiscal Year Ended: December 31, 2024

Calculation of Per Capita Cost of Operations

<u>Description</u>	<u>Current Year 2024</u>
Operating Expenses (Form 5-4, line 1)	<u>\$ 7,784,561</u>
Depreciation (Form 5-4, line 2c)	<u>\$ 14,436</u>
Net Operating Expenses	<u>\$ 7,770,125</u>
Mean # of all residents (Form 1-1, line 10)	<u>84</u>
Per Capita Cost of Operations	<u>\$ 92,501.49</u>

Cash

Bank Name	GL Amount	Type
BMO	752,758.05	Operating
BMO	29,741,492.50	Operating
Key Bank BMO	2,676,243.97	Operating
Key Bank BMO	21,219.09	Operating
Key Bank BMO	74,365.02	Operating
BOA BMO	3,782,038.67	Operating
TD Bank	22,497,764.67	Operating
	59,545,881.97	Operating

BOA		
BMO	(120,018.41)	Payroll
TD Bank	34,351.28	Payroll
BOA		
BMO	58,614.95	Payroll
	(27,052.18)	Payroll

BMO	(47,747.92)	Tax EFT Payments
-----	-------------	------------------

Negative balance is due to an incoming ACH that was recorded to the wrong account coding in the GL. Our GL balance in this account was understated by \$163K due to this error, which was corrected in January.

59,471,081.87

SUNRISE STRATFORD, LP

NOTES TO ANNUAL RESERVE CALCULATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024

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, 2024, the Trust has agreed to transfer \$183,482 to the Partnership. This amount is included in “accounts receivable” as of December 31, 2024.

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 dated January 1, 2019, for the year ended December 31, 2024. 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 dated January 1, 2019.

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 in 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 \$132,259 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.

* * * * *

**CONTINUING CARE RETIREMENT COMMUNITY
DISCLOSURE STATEMENT**

Date Prepared: 04/20/2025

Facility Name: The Stratford		
Address: 601 Laurel Ave, San Mateo	Zip Code: 94401	Phone: 650-342-4106
Provider Name: Sunrise Stratford LP		

Facility Operator: Sunrise Senior Living Management LLC			
Religious Affiliation: None			
Year Opened: 1992	# of Acres: 1+/-	Miles to Shopping Center: 1+/-	Miles to Hospital: 1+/-
<input type="checkbox"/> Single Story	<input checked="" type="checkbox"/> Multi-Story	<input type="checkbox"/> Other:	

Number of Units:

Residential Living	Number of Units	Health Care	Number of Units
Apartments – Studio:	<u>0</u>	Assisted Living:	<u>9</u>
Apartments – 1 Bdrm:	<u>3</u>	Skilled Nursing:	<u></u>
Apartments – 2 Bdrm:	<u>62</u>	Special Care:	<u></u>
Cottages/Houses:	<u>0</u>	Description:	<u></u>

RLU Occupancy (%) at Year End: 94.6%

Type of Ownership:	<input type="checkbox"/> Not for Profit	Accredited?	<input checked="" type="checkbox"/> Yes By: DSS
	<input checked="" type="checkbox"/> For Profit		<input type="checkbox"/> No
Form of Contact:	<input checked="" type="checkbox"/> Continuing Care	<input type="checkbox"/> Life Care	<input type="checkbox"/> Entrance Fee
(Check all that apply)	<input type="checkbox"/> Assignment of Assets	<input checked="" type="checkbox"/> Equity	<input type="checkbox"/> Fee for Service
		<input type="checkbox"/> Membership	<input type="checkbox"/> Rental
Refund Provisions:	<input type="checkbox"/> Refundable	<input type="checkbox"/> 90%	<input type="checkbox"/> 50%
(Check all that apply)	<input type="checkbox"/> Repayable	<input type="checkbox"/> 75%	<input checked="" type="checkbox"/> Other: Unit Sale
Range of Entrance Fees:	<u>\$ 350,000</u> - <u>\$ 1,800,000</u>		

Long-Term Care Insurance Required? ☐ Yes ☒ NoHealth Care Benefits Included in Contract: NoEntry Requirements: Min Age: 62 Prior Profession: N/A Other: Health/Financia**Resident Representative(s) to, and Resident Members on, the Board:**

(briefly describe provider's compliance and residents' roles):

see attached

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.

Facility Services and Amenities

Common Area Amenities	Available	Fee for Service	Services Available	Included in Fee	For Extra Charge
Beauty/Barber Shop	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Housekeeping (<u>4</u> Times/	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Billiard Room	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Month at \$_____each)		
Bowling Green	<input type="checkbox"/>	<input type="checkbox"/>	Meals (<u>1</u> /Day)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Card Rooms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Special Diets Available	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Chapel	<input type="checkbox"/>	<input type="checkbox"/>			
Coffee Shop	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-Hour Emergency Response	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Craft Rooms	<input type="checkbox"/>	<input type="checkbox"/>	Activities Program	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Exercise Room	<input checked="" type="checkbox"/>	<input type="checkbox"/>	All Utilities Except Phone	<input type="checkbox"/>	<input type="checkbox"/>
Golf Course Access	<input type="checkbox"/>	<input type="checkbox"/>	Apartment Maintenance	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Library	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cable TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Putting Green	<input type="checkbox"/>	<input type="checkbox"/>	Linens Furnished	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Shuffleboard	<input type="checkbox"/>	<input type="checkbox"/>	Linens Laundered	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Spa	<input type="checkbox"/>	<input type="checkbox"/>	Medication Management	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Swimming Pool –	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Nursing/Wellness Clinic	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Indoor			Personal Home Care	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Swimming Pool –	<input type="checkbox"/>	<input type="checkbox"/>	Transportation – Personal	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Outdoor			Transportation – Prearranged	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Tennis Court	<input type="checkbox"/>	<input type="checkbox"/>			
Workshop	<input type="checkbox"/>	<input type="checkbox"/>	Other: <u>Assisted Living</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other: <u>Dining Room</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

PROVIDER NAME: Sunrise Stratford, LP

	<u>Community*</u>	<u>CCRC/MLRC/ LIFECARE</u>	<u>Street</u>	<u>City</u>	<u>State</u>	<u>Zip</u>
1	Beverly Hills, Sunrise of	AL	201 North Crescent Drive	Beverly Hills	CA	90210
2	Canyon Crest, Sunrise of	AL	5265 Chapala Drive	Riverside	CA	92507
3	Oceanside, Sunrise of	AL	4845 Mesa Drive	Oceanside	CA	92056
4	Carmichael, Sunrise of	AL	5451 Fair Oaks	Carmichael	CA	95608
5	Cupertino, Sunrise of	AL	581 E. Fremont Ave	Sunnyvale	CA	94087
6	Danville, Sunrise of	AL	1027 Diablo Road	Danville	CA	94526
7	Fair Oaks CA, Sunrise of	AL	4820 Hazel Avenue	Fair Oaks	CA	95628
8	Hermosa Beach, Sunrise of	AL	1837 Pacific Coast Highway	Hermosa Beach	CA	90254
9	La Costa, Sunrise of	AL	7020 Manzanita Street	Carlsbad	CA	92011
10	Mission Viejo, Sunrise of	AL	26151 Country Club Drive	Mission Viejo	CA	92691
11	Orange, Sunrise of	AL	1301 E Lincoln Ave	Orange	CA	92865
12	Rocklin, Sunrise of	AL	6100 Sierra College Boulevard	Rocklin	CA	95677
13	San Mateo, Sunrise of	AL	955 South El Camino Real	San Mateo	CA	94402
14	Sterling Canyon, Sunrise at	AL	25815 McBean Parkway	Valencia	CA	91355
15	Stratford, The	CCRC	601 Laurel Avenue	San Mateo	CA	94401
16	Sunnyvale, Sunrise of	AL	633 S. Knickerbocker Drive	Sunnyvale	CA	94087
17	Westlake Village, Sunrise of	AL	3101 Townsgate Road	Westlake Village	CA	91361
18	Yorba Linda, Sunrise of	AL	4792 Lakeview Avenue	Yorba Linda	CA	92886

* This list reflects Sunrise owned/operated communities in the State of California only.
A complete list of all Sunrise owned/operated communities is available upon request.

PROVIDER NAME:

Sunrise Stratford, LP

INCOME FROM ONGOING OPERATIONS

OPERATING INCOME

(excluding amortization of entrance fee income)

2024

2023

2022

2021

\$ 7,770,073

\$ 8,165,182

\$ 6,867,609

\$ 6,705,394

LESS OPERATING EXPENSES

(excluding depreciation, amortization & interest)

\$ 7,281,025

\$ 7,134,678

\$ 6,494,991

\$ 6,351,675

NET INCOME (LOSS) FROM OPERATIONS

\$ 489,048

\$ 1,030,504

\$ 372,618

\$ 353,719

LESS INTEREST EXPENSE

\$ -

\$ -

\$ -

\$ -

PLUS CONTRIBUTIONS

\$ -

\$ -

\$ -

\$ -

PLUS NONOPERATING INCOME (EXPENSES)

(excluding extraordinary items)

\$ -

\$ -

\$ -

\$ -

**NET INCOME (LOSS) BEFORE ENTRANCE FEES,
DEPRECIATION AND AMORTIZATION**

\$ 489,048

\$ 1,030,504

\$ 372,618

\$ 353,719

NET CASH FLOW FROM ENTRANCE FEES

(Total Deposits less Refunds)

\$ -

\$ -

\$ -

\$ -

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
None	\$ -	0.000%			

PROVIDER NAME:

Sunrise Stratford, LP

FINANCIAL RATIOS

2021 CCAC Medians

50th percentile

(optional)

	2022	2023	2024
Debt to Asset ratio	0.00%	0.00%	0.00%
Operating Ratio	94.57%	87.38%	93.71%
Debt Servicing Coverage Ratio	0.00%	0.00%	0.00%
Days Cash on Hand ratio	0	0	0

HISTORICAL MONTHLY SERVICE FEES

AVERAGE FEE AND PERCENT CHANGE

STUDIO

ONE BEDROOM
TWO BEDROOM
COTTAGE/HOUSE
ASSISTED LIVING
SKILLED NURSING
SPECIAL CARE

	2021	%	2022	%	2023	%	2024	%
\$	6,198	0.0%	\$ 6,275	1.25%	\$ 6,871	9.5%	\$ 7,180	4.5%
\$	12,396	0.0%	\$ 12,550	1.25%	\$ 13,742	9.5%	\$ 14,360	4.5%
\$	6,198	0.0%	\$ 6,275	1.25%	\$ 6,871	9.5%	\$ 7,180	4.5%
\$	6,198	0.0%	\$ 6,275	1.25%	\$ 6,871	9.5%	\$ 7,180	4.5%

COMMENTS FROM PROVIDER:

RESIDENT REPRESENTATIVE ON BOARD (SEE ATTACHED)

PROVIDER NAME:

Sunrise Stratford, LP

Financial Ratio Formulas

LONG TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long term debt less Current Portion}}{\text{Total Assets}} = 0.00\%$$

Long term debt, less current maturities	\$	-
Total Assets	\$	6,123,179

OPERATING RATIO

$$\frac{\text{Total Operating Expenses - Depeciation Expense - Amortization Expense}}{\text{Total Operating Revenues - Amortization of Deferred Entrance Fees}} = 93.71\%$$

Total Operating Expenses	\$	7,784,561
Depreciation Expense	\$	14,436
Amortization Expense	\$	489,100
Total Operating Revenues	\$	7,770,073
Amortization of Deferred Entrance Fees	\$	-

DEBT SERVICE COVERAGE RATIO

$$\frac{\text{Total Excess of Revenues over Expenses + Interest, Depreciation and Amortization Expense - Amortization of Deferred Revenue + Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}} = 0.00\%$$

Excess of Revenues over Expenses	\$	(14,488)
Interest Expense	\$	-
Depreciation Expense	\$	14,436
Amortization Expense	\$	489,100
Amortization of Deferred Revenue	\$	-
Net Proceeds from Entrance Fees	\$	-
Annual Debt Service	\$	-

DAYS CASH ON HAND RATIO

$$\frac{\text{Unrestricted Current Cash \& Investments + Unrestricted Non-Current Cash and Investments}}{(\text{Operating Expenses - Depreciation - Amortization})/365} = 0$$

Unrestricted Non-Current Cash and Investments	\$	-
Operating Expenses	\$	7,784,561
Depreciation & Amortization Expense	\$	503,536

THE STRATFORD

RESIDENT REPRESENTATION

The COA holders at The Stratford are Sunrise Stratford GP, LLC (as general partner of Sunrise Stratford, LP, the owner of the easements) and Sunrise Senior Living, LLC (SSLLC) (the ultimate owner of Sunrise Stratford, LP and of Sunrise Stratford GP, LLC). SSLLC is itself subject to ultimate ownership by Public Sector Pension Investment Board, a Canadian crown corporation, and Health Care REIT, Inc., a publicly traded corporation. Given this structure, there is no governing body as such that makes decisions about The Stratford on which a resident might serve, either as a resident representative or a full-fledged member. The regional and local managers employed by Sunrise Senior Living Management, Inc. (SSLMI), also as subsidiary of SSLLC, make decisions regarding matters like fee increases, expansion or contraction of services, or other changes that would result in budget variances. Accordingly, residents can best convey their concerns, and ensure that their opinions are effectively relayed, to the COA holders by meeting with the regional and local managers responsible for The Stratford. With this in mind, the Sunrise Senior Living Regional Director of Operations for the Western Region and the Executive Director of The Stratford are meeting on a semi-annual basis with a resident selected by the Board of The Stratford of San Mateo Homeowners' Association in order to obtain input on relevant matters such as economic performance, building and plant issues, and general resident service questions. In addition, they are meeting with the resident to discuss any specific changes to in the foregoing areas.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly service fees at beginning of reporting period: (Indicate range, if applicable)	<u>\$7,180 to \$14,360</u>	<u></u>	<u></u>
[2] Indicate percentage of increase in fees imposed during reporting period: (Indicate range, if applicable)	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

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

[3] Indicate the date the fee increase was implemented: 1/1/2024

[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: 10/26/2023

Method of Notice: Letter

☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

Date of Meeting: 10/24/2023

☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

Date of Notice: 10/01/2023

☒ The governing body of the provider, or the designated representative of the provider posted 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: 10/01/2023

Location of Posting: Mailboxes

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

PROVIDER: Sunrise Stratford, LP

COMMUNITY: The Stratford

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

In determining the rate increase for monthly service fees at our community, the following data points were analyzed to determine the proper rate increases. Points considered included a comparison between where current fiscal year operations/budget to prior year's performance and projected increase in expenses over current period operations. All factors considered allow for The Stratford to measure our current and projected operation performance through our Net Operating Margin (NOM) which is used as a benchmark to ensure our core business of delivering services to our residents is sustainable. The findings are noted below.

Current Operations:

For the fiscal year ending December 31st, 2024, operating revenue was \$7,770,073 and operating expenses totaled \$7,784,561 for net operating loss of \$14,488 and a net operating margin (NOM) of (0.2%). This compares favorably to the budgeted NOM of (5.2%) and to prior year operating revenue of \$8,165,182 and operating expenses of \$7,639,415 resulting in net operating gain of \$525,767 and a NOM of 6.4%.

Principal Projected Increases/Decreases in Expenses:

The following are budgeted increases in expenses as compared to projected year-end operations:

- Salaries and wages by \$300,026 or 6.8%
- Liability Insurance premium by \$12,683 or 14.6%

The following are budgeted decreases in expenses as compared to projected year-end operations:

- Worker's comp premium by \$30,506 or 16.4%

Rationale for Monthly Fee Increase - 2025

The labor market in this region is highly competitive. Rising operational costs have necessitated a 3.75% annual increase for 2025.

PROVIDER: Sunrise Stratford, LP

COMMUNITY: The Stratford

FORM 7-1 ATTACHMENT
Monthly Care Fee Increase

Line	Fiscal Years	2023 (Baseline)	2024 (Current)	2025 (Projected)
1	F/Y 2023 (Baseline) Operating Expenses	\$ (7,134,678)		
2	F/Y 2024 (Current) Operating Expenses		\$ (7,281,025)	
3	Projected F/Y 2025 Operating Costs			\$ (7,569,190)
4	F/Y 2025 Anticipated MCF Revenue Based on Current and Projected Occupancy and Other without a MCFI			\$ 7,260,178
5	Projected F/T 2025 (Net) Operating Results without a MCFI (Line 3 + Line 4)			\$ (309,012)
6	Projected F/Y 2025 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI 4.5%			\$ 7,532,435
7	Grand Total - Projected F/Y 2025 Net Operating Activity After MCFI (Line 3 plus Line 6)			\$ (36,755)

Monthly Care Fee Increase: 3.75%

Adjustments explained:

Non-cash expenses such as amortization and depreciation are excluded for F/Y 2023, F/Y 2024 Operating Expenses, and F/Y 2025 Operating Costs

F/Y 2025

The labor market in this region is highly competitive. Rising operational costs have necessitated a 3.75% annual price increase for 2025.

KEY INDICATORS REPORT
Sunrise Stratford, LP

Keith Bourn

Chief Accounting Officer Signature

	Projected	Forecast	Preferred
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	Projected	Forecast	Preferred
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	Projected	Forecast	Preferred
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	Projected	Forecast	Preferred
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	Projected	Forecast	Preferred
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	Projected	Forecast	Preferred
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	Projected	Forecast	Preferred
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Projected					Forecast				Preferred Trend Indicator	
2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
94%	94%	95%	95%	95%	94%	93%	93%	93%	93%	↓
3.13%	2.80%	3.02%	5.12%	4.17%	4.61%	4.61%	4.61%	4.61%	4.61%	↓
3.13%	2.80%	3.02%	5.12%	4.17%	4.61%	4.61%	4.61%	4.61%	4.61%	↓
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	N/A
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
\$ 7,826,347	\$ 7,578,760	\$ 7,488,281	\$ 6,836,338	\$ 6,092,042	\$ 6,146,065	\$ 6,153,565	\$ 6,158,565	\$ 6,163,565	\$ 6,168,565	↑
\$ 24,107	\$ 103,180	\$ 88,371	\$ (202,622)	\$ 4,259	\$ 54,023	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	↓
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	N/A
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	N/A
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N/A
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N/A
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N/A
30	30	31	32	33	34	35	36	37	38	↑

Attachment to KIR

SIGNIFICANT VARIANCE EXPLANATION

Line 9 Annual Capital Asset Expenditures

In 2024, The Stratford invested \$284,289 in new fixed assets and construction projects in progress. This was partially offset by \$278,651 in reimbursements from the Homeowners Association (HOA) and \$1,379 from the retirement of old fixed assets. Overall, these transactions resulted in a net increase of \$4,259 in fixed assets.

PROVIDER: Sunrise Stratford, LP

COMMUNIT The Stratford

Sunrise Senior Living, LLC

Consolidated Financial Statements as of and for
the Years Ended December 31, 2024 and 2023,
and Independent Auditor's Report

SUNRISE SENIOR LIVING, LLC

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www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

Management of Sunrise Senior Living, LLC

Opinion

We have audited the consolidated financial statements of Sunrise Senior Living, LLC (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, comprehensive income, changes in member's equity, and cash flows for the years then ended, and the related notes to the consolidated 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 Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 Company'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 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 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.

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.

A handwritten signature in dark ink, appearing to read "Deloitte & Touche LLP", is positioned above the date. The signature is written in a cursive, flowing style.

March 10, 2025

SUNRISE SENIOR LIVING, LLC

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2024 AND 2023 (In thousands)

	2024	2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 59,471	\$ 34,744
Accounts receivable—net	69,299	67,112
Due from affiliates	23,248	25,463
Restricted cash	75,341	32,301
Restricted investments in marketable securities, available for sale	50,967	-
Prepaid expenses and other current assets	11,432	10,287
Total current assets	289,758	169,907
PROPERTY AND EQUIPMENT—Net	31,946	20,831
RIGHT-OF-USE ASSETS—Net	30,003	17,040
NOTES RECEIVABLE	1,604	1,445
INTANGIBLE ASSETS—Net	85,443	91,357
GOODWILL	90,069	90,069
INVESTMENT IN EQUITY INTEREST	2,594	-
RESTRICTED CASH	4,251	125,251
RESTRICTED INVESTMENTS IN MARKETABLE SECURITIES, AVAILABLE FOR SALE	43,650	4,611
DUE FROM AFFILIATES	16,327	15,463
DEFERRED TAX ASSET—Net	8,316	-
OTHER ASSETS—Net	5,172	3,693
TOTAL ASSETS	<u>\$609,133</u>	<u>\$539,667</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$151,457	\$137,705
Due to affiliates	5,061	141
Current lease liabilities	2,863	2,174
Deferred revenue	1,077	609
Note payable	3,026	431
Self-insurance liabilities	23,530	25,089
Total current liabilities	187,014	166,149
NOTE PAYABLE	-	2,972
SELF-INSURANCE LIABILITIES	110,353	102,222
DEFERRED INCOME TAX LIABILITIES—Net	2,090	3,166
LONG-TERM LEASE LIABILITIES	33,978	20,207
OTHER LONG-TERM LIABILITIES—Net	35,589	40,457
Total liabilities	<u>369,024</u>	<u>335,173</u>
EQUITY:		
Member's capital	257,190	257,190
Accumulated deficit	(20,514)	(55,821)
Accumulated other comprehensive loss	(1,940)	(1,666)
Total member's equity	234,736	199,703
NONCONTROLLING INTERESTS	5,373	4,791
Total equity	<u>240,109</u>	<u>204,494</u>
TOTAL LIABILITIES AND EQUITY	<u>\$609,133</u>	<u>\$539,667</u>

See notes to consolidated financial statements.

SUNRISE SENIOR LIVING, LLC

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In thousands)

	2024	2023
OPERATING REVENUE:		
Management fees	\$ 115,542	\$ 84,810
Resident fees for consolidated communities	16,845	19,254
Ancillary services	3,464	3,942
Professional fees from development—marketing and other	11,958	19,781
Termination fees	1,164	9,297
Reimbursed costs incurred on behalf of managed communities	<u>1,268,491</u>	<u>1,260,637</u>
Total operating revenue	<u>1,417,464</u>	<u>1,397,721</u>
OPERATING EXPENSES:		
Community expense for consolidated communities	13,284	13,955
Community lease expense	1,157	1,574
Depreciation and amortization	6,735	12,736
Impairment	50	11,900
Ancillary expenses	3,778	4,168
Provision for doubtful accounts	203	46
General and administrative	83,775	82,441
Share-based and incentive compensation expense (credit)	13,246	(7,747)
Development and idle land costs	9,030	10,313
Provision for abandoned projects	3,651	2,973
Transaction costs	612	234
Restructuring expense	217	4,781
Costs incurred on behalf of managed communities	<u>1,259,468</u>	<u>1,256,966</u>
Total operating expenses	<u>1,395,206</u>	<u>1,394,340</u>
Income from operations	<u>22,258</u>	<u>3,381</u>
OTHER NON-OPERATING INCOME:		
Interest income	7,159	6,516
Interest expense	(1,121)	(19)
Other income	<u>763</u>	<u>2,442</u>
Total other non-operating income	6,801	8,939
(Loss) gain from investment in equity interest	<u>(248)</u>	<u>825</u>
Income before benefit from income taxes	28,811	13,144
BENEFIT FROM INCOME TAXES	<u>7,025</u>	<u>2,354</u>
Net income	35,836	15,498
Less: Income attributable to noncontrolling interests—net of tax	<u>(529)</u>	<u>(617)</u>
NET INCOME ATTRIBUTABLE TO MEMBER	<u>\$ 35,307</u>	<u>\$ 14,881</u>

See notes to consolidated financial statements.

SUNRISE SENIOR LIVING, LLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In thousands)

	2024	2023
NET INCOME	\$ 35,836	\$ 15,498
OTHER COMPREHENSIVE INCOME (LOSS):		
Foreign currency translation adjustments	(591)	128
Unrealized net gain (loss) on non-equity investments—net of tax	<u>317</u>	<u>(3)</u>
Comprehensive income	35,562	15,623
Less: Comprehensive income attributable to noncontrolling interests	<u>(529)</u>	<u>(614)</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBER	<u>\$ 35,033</u>	<u>\$ 15,009</u>

See notes to consolidated financial statements.

SUNRISE SENIOR LIVING, LLC

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In thousands)

	Member's Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Member's Equity	Equity Attributable to Noncontrolling Interests	Total Equity
BALANCE—January 1, 2023	\$ 266,176	\$ (70,702)	\$ (1,791)	\$ 193,683	\$ 5,002	\$ 198,685
Net income	-	14,881	-	14,881	617	15,498
Dividends to member	(8,503)	-	-	(8,503)	-	(8,503)
Contributions from noncontrolling interests	-	-	-	-	1,023	1,023
Distributions on behalf of noncontrolling interests	-	-	-	-	(1,851)	(1,851)
Foreign currency translation adjustments	-	-	128	128	-	128
Unrealized loss on non-equity investments of noncontrolling interests	-	-	(3)	(3)	-	(3)
Dissolution of Red Fox Holding Corporation	(483)	-	-	(483)	-	(483)
BALANCE—December 31, 2023	257,190	(55,821)	(1,666)	199,703	4,791	204,494
Net income	-	35,307	-	35,307	529	35,836
Contributions from member	8,438	-	-	8,438	-	8,438
Dividends to member	(8,438)	-	-	(8,438)	-	(8,438)
Contributions from noncontrolling interests	-	-	-	-	881	881
Distributions on behalf of noncontrolling interests	-	-	-	-	(828)	(828)
Foreign currency translation adjustments	-	-	(591)	(591)	-	(591)
Unrealized net gain on non-equity investments—net of tax	-	-	317	317	-	317
BALANCE—December 31, 2024	\$ 257,190	\$ (20,514)	\$ (1,940)	\$ 234,736	\$ 5,373	\$ 240,109

See notes to consolidated financial statements.

SUNRISE SENIOR LIVING, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In thousands)

	2024	2023
OPERATING ACTIVITIES:		
Net income	\$ 35,836	\$ 15,498
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Loss (gain) from investment in equity interest	248	(825)
Net gains and losses on investments in equity marketable securities	(1,567)	(853)
Depreciation and amortization	6,735	12,736
Impairment	50	11,900
Provision for abandoned projects	3,651	2,973
Provision for doubtful accounts	203	46
Net lease payments	(678)	(715)
Net interest accretion	(154)	(134)
Amortization of loan issue costs	57	-
Deferred income tax (benefit)	(9,476)	344
Share-based and incentive compensation expense (income)	13,246	(7,747)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	2,806	(19,684)
Due from/due to affiliate	3,530	19,309
Prepaid expenses and other current assets	(1,145)	(1,697)
Other assets	(1,487)	362
(Decrease) increase in:		
Accounts payable, accrued expenses, and other liabilities	7,485	13,597
Share-based and incentive compensation liability	(17,514)	(23,802)
Self-insurance liabilities	6,572	15,103
Deferred revenue	468	(996)
Net cash provided by operating activities	<u>48,866</u>	<u>35,415</u>
INVESTING ACTIVITIES:		
Investment in equity interest	(2,842)	-
Distributions from equity interest	-	825
Incentive proceeds for leasehold improvements	-	1,457
Capital expenditures—net	(2,428)	(3,179)
Purchase of equity securities	(12,943)	(9,477)
Purchase of fixed maturities	(35,205)	(1,106)
Sale of equity securities	272	9,967
Sale of fixed maturities	10,165	1,270
Purchase of short-term investments	(70,485)	-
Maturities of short-term investments	20,160	-
Increase in notes receivable	-	(15,653)
Payments from notes receivable	-	17,632
Net cash (used in) provided by investing activities	<u>(93,306)</u>	<u>1,736</u>
FINANCING ACTIVITIES:		
Repayment of note payable	(431)	-
Distributions to member	(8,431)	(8,503)
Contributions from non-controlling interests	881	1,023
Distributions on behalf of non-controlling interests	(828)	(1,851)
Lease payments—financing	16	(6)
Net cash (used in) financing activities	<u>(8,793)</u>	<u>(9,337)</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(53,233)	27,814
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT—Beginning of year	<u>192,296</u>	<u>164,482</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT—End of year	<u>\$ 139,063</u>	<u>\$ 192,296</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION—		
Increase (decrease) in accrued capital expenditures	<u>\$ 781</u>	<u>\$ (625)</u>

See notes to consolidated financial statements.

SUNRISE SENIOR LIVING, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

1. ORGANIZATION

Organization—Sunrise Senior Living, LLC (“Sunrise LLC,” “Sunrise,” “we,” “us,” “our,” or the “Company”) is a provider of senior living services in the United States (US) and Canada. We offer a full range of personalized senior living services, including independent living, assisted living, care for individuals with Alzheimer’s disease and other forms of memory loss, nursing, rehabilitative care, and home health care. At December 31, 2024, we operated 251 communities; 234 in the US and 17 in Canada, with a total unit capacity of approximately 24,100.

Prior to 2023, Sunrise was a wholly owned subsidiary of Red Fox Holding Corporation (“RFHC”). Revera Inc. (“Revera”) and Welltower Inc. (“Welltower”) had 66% and 34% indirect interests, respectively, in RFHC.

On July 1, 2023, pursuant to a Restructuring Agreement dated April 20, 2023, Revera acquired Welltower’s direct and indirect interests in RFHC, increasing its ownership interest in RFHC to 100% (“July 2023 Transaction”).

On December 1, 2023, RFHC merged with Red Fox Acquisition Company, Inc. (“RFAC”), a wholly owned subsidiary of Revera. Sunrise is now a wholly owned subsidiary of RFAC.

Business Lines—We derive the majority of our income from our core management business of managing senior living communities under long-term management contracts and providing insurance coverage to the communities we manage from Sunrise Senior Living Insurance, Inc. (“Sunrise Insurance”), our wholly owned insurance subsidiary. Our growth plan involves continued focus on the acquisition of strategic sites for development, construction, preopening, and lease-up of Sunrise communities with potential sale upon stabilization, collaborating with existing and new owners to acquire additional management contracts and exploring other selective investments into complementary business lines.

The following table reflects the change in the number of communities managed and number of development contracts for the year ended December 31, 2024:

	Operating Owned/ Leased US	Managed US	Canada	Total Operating All	Development Contracts
Community count—December 31, 2023	2	225	15	242	5
Management contracts—					
Acquired	-	16	-	16	-
New opening ¹	-	1	2	3	(3)
Terminated	-	(10)	-	(10)	-
Community count—December 31, 2024	<u>2</u>	<u>232</u>	<u>17</u>	<u>251</u>	<u>2</u>

¹ Management contracts entered into upon opening of newly developed communities.

Community Insurance Program—We utilize large deductible blanket insurance programs to contain costs for certain lines of insurance risks, including workers’ compensation and employers’ liability risks, automobile liability risk, employment practices liability risk, and general and professional liability risks (“Self-Insured Risks”). We have self-insured a portion of the Self-Insured Risks through Sunrise Insurance. Sunrise Insurance receives premiums and issues policies of insurance on behalf of us and each US community we operate and pays the costs for each claim above a deductible up to a per-claim limit. Third-party insurers are responsible for claim costs above this limit. These third-party insurers carry an AM Best rating of A-/VII or better.

Revenue and expense (excluding net interest and investment income and provision for income taxes) for Sunrise Insurance are reported net and are included in “costs incurred on behalf of managed communities” in our consolidated statements of operations. Revenue and expense for the years ended December 31, 2024 and 2023, are as follows (in thousands):

	2024	2023
Revenue	\$ 45,863	\$ 59,564
Expense	<u>(29,292)</u>	<u>(43,115)</u>
Income	<u>\$ 16,571</u>	<u>\$ 16,449</u>

2. PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All material intercompany transactions and balances have been eliminated in consolidation.

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and entities in which we own more than 50% of the voting interests.

The determination of a controlling financial interest is based upon the terms of the governing agreements of the respective entities, including the evaluation of rights held by other ownership

interests. If the entity is considered to be a variable interest entity (“VIE”), we determine whether we are the primary beneficiary and consolidate those VIEs for which we have determined we are the primary beneficiary. If the entity in which we hold an interest does not meet the definition of a VIE, we evaluate whether we have a controlling financial interest through our voting rights in the entity. We consolidate entities when we own more than 50% of the voting interests of a company or otherwise have a controlling financial interest.

Use of Estimates—Management is required to make estimates and assumptions in the preparation of consolidated financial statements in conformity with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management’s estimates. Management believes that the assumptions and estimates used in preparation of the underlying consolidated financial statements are reasonable.

Cash and Cash Equivalents—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. These are carried at cost, which approximates fair value.

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

	December 31,	
	2024	2023
Cash and cash equivalents	\$ 59.5	\$ 34.7
Restricted cash and cash equivalents	75.3	32.3
Long-term restricted cash	4.3	125.3
	<u><u>\$139.1</u></u>	<u><u>\$ 192.3</u></u>

Investments—Our portfolio investments are primarily in publicly traded fixed-maturity, equity security and short-term investments. Fixed-maturity (corporate bonds, asset-backed securities and mortgage-backed securities), short-term (commercial paper and US treasury bills purchased within one year of maturity) investments classified as available for sale and equity security investments (common stocks, exchange traded and mutual funds, non-redeemable preferred stocks) are recorded at fair value in our consolidated financial statements. Changes in fair value of fixed-maturity and short-term investments are reported in other comprehensive income, net of deferred taxes, while changes in fair value of equity securities are reported in net income. Realized gains and losses for all investments are recorded in “Other income” in our consolidated statement of operations.

An available for sale fixed maturity is impaired if the fair value of the security is below amortized cost. The impaired loss is charged to net income when we have the intent to sell the security or it is more likely than not we will be required to sell the security before recovery of the amortized cost. For impaired securities we intend to hold, an allowance for credit related losses is recorded in investment losses when the company determines a credit loss has been incurred based on certain factors such as adverse conditions, credit rating downgrades or failure of the issuer to make scheduled principal or interest payments.

Investment income, net of expenses, consists mainly of interest and dividends. We record interest on an accrual basis and record dividends at the ex-dividend date.

Accounts Receivable—Our accounts receivable primarily consist of amounts due from owners of communities we manage with whom we have management and development agreements and include reimbursements of costs we incurred on behalf of those managed properties. We record an allowance for credit losses measured over the contractual life of the instrument based on an assessment of historical collection activity as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary. Write-offs of accounts are made after collection efforts have been exhausted.

Due from / Due to Affiliates—Current due from or due to affiliates represents amounts due from or to affiliated entities and the communities we manage and develop for them. Amounts due from affiliates, long term, represent an indemnification receivable from Revera related to our uncertain tax positions (see Note 17, Related-Party Transactions).

Property and Equipment—Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the lesser of the estimated useful lives of the related assets or the remaining lease term. Depreciation is discontinued when a property is identified as held for sale. Repairs and maintenance are charged to expense as incurred.

Impairment of Long-Lived Assets—We assess 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 2024 or 2023.

Reserve for Abandoned Projects—We provide a reserve for costs related to our pipeline of development projects that may ultimately need to be abandoned primarily due to unsuccessful entitlement efforts. The reserve balance was \$1.4 million and \$1.0 million at December 31, 2024 and 2023, respectively, and is recorded in “property and equipment—net” in our consolidated balance sheets.

Leases—We determine if a contract is or contains a lease at the inception of the contract and classify leases with contractual terms longer than 12 months as either operating or finance leases. We classify a lease as a finance lease if it meets certain criteria or as an operating lease when it does not. We reassess if a contract is or contains a leasing arrangement upon modification of the contract. For a contract in which we are a lessee, that contains fixed payments for both lease and nonlease components, we have elected to account for the components as a single lease component, as permitted.

We lease land, buildings, office space, and certain equipment. At commencement of the lease, we recognize a lease liability for future fixed lease payments and a right-of-use (“ROU”) asset representing our right to use the underlying asset during the lease term. The lease liability is initially measured as the present value of the future fixed lease payments that will be made over the lease term. Renewal options that we are reasonably certain to exercise are included in the lease term. As most of our leases

do not provide a rate implicit in the lease agreement, we use our incremental borrowing rate available at lease commencement to determine the present value of the lease payments.

Our operating leases require fixed, or minimum, payments, as contractually stated in the lease agreement and variable payments. For operating leases, lease expense related to fixed payments is recognized on a straight-line basis over the lease term, and lease expense related to variable payments is expensed as incurred. For finance leases, the amortization of the asset is recognized over the shorter of the lease term or useful life of the underlying asset.

Intangible Assets—We capitalize costs incurred to acquire management and other contracts. Management contracts acquired outside of a business combination are recorded at fair value based on the actual incremental direct acquisition costs incurred. Management contracts acquired as part of a business combination are valued using the acquisition method of accounting in determining the allocation of the purchase price to net tangible and intangible assets acquired. We make estimates of the fair value of the tangible and intangible assets using information obtained as a result of preacquisition due diligence, marketing, leasing activities, and independent appraisals.

Intangible assets are valued using expected discounted cash flows and are amortized using the straight-line method over the remaining contract term, generally ranging from one year to 30 years. The carrying amounts of amortizing intangible assets are reviewed for impairment when indicators of impairment are identified. If the carrying amount of the asset (group) exceeds the undiscounted expected cash flows that are directly associated with the use and eventual disposition of the asset (group), an impairment charge is recognized to the extent the carrying amount of the asset exceeds the fair value. We did not note any indicators of impairment of our management contract intangible assets as of December 31, 2024.

We determined our company trade name, Sunrise Senior Living, has an indefinite economic life and is not amortized into results of operations. On an annual basis, a qualitative assessment is performed to determine whether it is more likely than not that this indefinite-lived intangible asset is impaired. In July 2023, due to a triggering event, we performed a qualitative assessment considering the loss of management contracts from the July 2023 Transaction (see Note 4, July 2023 Transaction). Based on that assessment, we concluded that our company trade name was potentially impaired, and a quantitative fair value measurement calculation would be required to determine whether the carrying amount of our company trade name exceeded its estimated fair value. In 2023, we recorded an impairment charge of \$11.9 million associated with our company trade name as we determined that the carrying value of the trade name exceeded its estimated fair value. Based on a qualitative assessment as of December 31, 2024, we concluded that it is not more likely than not that our company trade name is impaired.

Goodwill—Goodwill is reviewed for impairment annually. On an annual basis, a qualitative assessment is performed to determine whether it is more likely than not that goodwill is impaired. In July 2023, due to a triggering event, we performed a qualitative assessment considering the loss of management contracts from the July 2023 Transaction (see Note 4, July 2023 Transaction). Based on that assessment, we concluded that our goodwill was potentially impaired, and a quantitative fair value measurement calculation would be required. The quantitative goodwill impairment test, which is used to identify both the existence of impairment and the amount of impairment loss, compares the estimated fair value of a reporting unit with its carrying value, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. We determined that the estimated fair value of our Sunrise Senior Living reporting unit

exceeded its carrying amount and that there is no goodwill impairment. Based on a qualitative assessment as of December 31, 2024, we concluded that it is not more likely than not that goodwill is impaired.

Loss Reserves for Community Insurance Program—Through our community insurance program, we offer a variety of insurance programs to the communities we operate. These programs include general and professional liability insurance, automobile liability insurance and physical damage insurance, workers' compensation, and employers' liability insurance and employment practices liability insurance (the "Insurance Program"). Substantially, all of the communities we operate participate in the Insurance Program and are charged their proportionate share of the cost of the Insurance Program.

We utilize self-insured and large deductible insurance programs to contain costs for certain of the lines of insurance risks in the community insurance program. The design and purpose of the community insurance program is to reduce overall premium and claim costs by internally managing the claims to attain more predictable expenses from year to year, while buying insurance only for higher-cost, less predictable, or more severe claims.

We record outstanding losses and expenses for all the community insurance program's risks and for claims under insurance policies based on management's best estimate of the ultimate liability after considering all available information, including expected future cash flows and actuarial analyses. The recorded liability for the self-insured layer was approximately \$136.2 million and \$130.0 million at December 31, 2024 and 2023, respectively, based on an actuarial valuation.

We believe that the allowance for outstanding losses and expenses is appropriate to cover the ultimate cost of losses incurred at December 31, 2024, based on our best estimate at that date. The allowance may ultimately be settled for a greater or lesser amount. Any subsequent changes in estimates are recorded in the period in which they are determined.

Employee Health, Dental, and Short-Term Disability Benefits—We offer employees an option to participate in our self-insured health, dental, and short-term disability plans. The cost of our employee health and dental benefits, net of employee contributions, is shared between us and the communities based on the respective number of participants working either at our community support office or at the communities. Funds collected are used to pay the actual program costs, including estimated annual claims, third-party administrative fees, network provider fees, communication costs, and other related administrative costs incurred by us. Claims are paid as they are submitted to the plan administrator. We also record a liability for outstanding claims and claims that have been incurred but not yet reported based on management's best estimate after considering all available information and actuarial analyses. This liability is based on the historical claim reporting lag and payment trends of health insurance claims. The recorded liability for these claims was \$7.8 million and \$7.4 million at December 31, 2024 and 2023, respectively, and is included in "accounts payable and accrued expenses" in our consolidated balance sheets. We believe that the liability for outstanding losses and expenses is adequate to cover the ultimate cost of losses incurred, but actual claims may differ. Any subsequent changes in estimates are recorded in the period in which they are determined and will be shared with the communities participating in the program based on their proportionate share of any changes. The self-insured short-term disability plan only includes eligible community support office team members.

Income Taxes—We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the consolidated financial

statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We recognize deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

We record uncertain tax positions in accordance with Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 740, *Income Taxes* Topic, on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority. In addition, we are required to accrue interest and penalties that, under relevant tax law, we would incur if the uncertain tax positions ultimately were not sustained. We reflect interest and penalties, if any, on unrecognized tax benefits in the consolidated statements of operations as income tax expense. We have recorded liabilities for possible losses on uncertain tax positions, including related interest and penalties of \$16.8 million and \$15.9 million as of December 31, 2024 and 2023, respectively.

Revenue Recognition—“Management fees” are composed of fees from management agreements for operating communities owned by third parties. We have performance obligations to provide management services for those communities. As compensation for such services, we are generally entitled to receive base fees, which are a percentage of a managed community’s gross operating revenues or a combination of gross operating revenues and net operating income, and incentive fees, which are generally based on a measure of a community’s profitability. Both the base and incentive management fees are variable consideration, as the transaction price is based on a percentage of gross revenue, net operating income, or profit, as defined in each contract. We recognize revenue for community management services in accordance with ASC 606, *Revenue Recognition Topic*. Although there are various management and operational activities performed by us under the contracts, we have determined that all community operations management activities are a single performance obligation, which is satisfied over time as the services are rendered. We estimate the amount of incentive fee revenue expected to be earned, if any, during the annual contract period and revenue is recognized as services are provided. Our estimate of the transaction price for management services also includes the amount of reimbursement due from the owners of the communities for services provided and related costs incurred. Such revenue is included in “reimbursed costs incurred on behalf of managed communities” in the consolidated statements of operations. The related costs are included in “costs incurred on behalf of managed communities” in the consolidated statements of operations.

“Resident fees from consolidated communities” are composed of fees from residents. Revenue from resident fees and services is predominantly service based. We recognize revenue for resident care services in accordance with the provisions of 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 the resident with 30 days’ notice.

“Ancillary services” are composed of fees for providing home health-assisted living services. We recognize revenue for ancillary services in accordance with the provisions of ASC 606. Each service provided is a separate performance obligation and fees are recognized when the service is provided.

“Professional fees from development, marketing, and other” are composed of development fees and preopening service fees for communities being developed on behalf of third parties and fees received for renovation and other projects at the communities we manage. The goods and services provided under the development agreements are not distinct as we provide a significant service of integrating the goods and services into a senior housing facility. Therefore, we account for all of the goods and services in a development agreement as a single performance obligation. Development fees are recognized on the basis of completion over the construction period, which is generally 18 to 30 months, because our performance creates or enhances an asset that the customer controls as the asset is created or enhanced. We measure our progress toward the complete satisfaction of the performance obligation(s) using an input (i.e., “cost to cost”) method. Preopening service fees are recognized over the term of the preopening period, which is generally 10 months. Fees for renovation and other projects are recognized at various stages of the project when earned.

The following table summarizes revenue earned from the owners of communities we manage as a percent of operating revenue:

	Year Ended December 31,	
	2024	2023
Welltower	40 %	41 %
Ventas, Inc.	32	29
BPG Acquisitions, LLC (“Brookfield”)	11	11
All others	17	19

Share-Based Compensation—We record compensation expense for warrants and phantom stock units granted under our phantom equity plan, and performance units granted under our performance equity unit (“PEU”) plan in accordance with ASC 718, *Stock Compensation Topic*. The warrants and units are cash settled and, thus, are liability-classified awards whose value is remeasured at the end of each reporting period with the expense being recognized over the requisite service period.

As a nonpublic entity, as defined in the ASC 718, we have elected to measure all liabilities relating to units and warrants at intrinsic value with changes in the intrinsic value of the liabilities recognized as compensation cost in the consolidated statements of operations over the requisite service period. For the years ended December 31, 2024 and 2023, we recorded compensation expense (credit) related to the phantom equity plan, including the phantom stock units and warrants, of \$0 and \$(4.5) million, respectively. For the years ended December 31, 2024 and 2023, we recorded compensation expense related to the PEU plan of \$2.7 million and \$8.7 million, respectively. These amounts are included in “share-based and incentive compensation expense, net” in our consolidated statements of operations (see Note 15, Share-Based and Long-term Incentive Compensation).

Foreign Currency Translation—Our reporting currency is the US dollar. Certain of our subsidiaries’ functional currencies are the local currency of their respective country. In accordance with ASC 830, *Foreign Currency Matters Topic*, balance sheets prepared in their functional currencies are translated to the reporting currency at exchange rates in effect at the end of the accounting period, except for member’s equity accounts, which are translated at rates in effect when these balances were originally

recorded. Revenue and expense accounts are translated at a weighted average of exchange rates during the period. The cumulative effect of the translation is included in “accumulated other comprehensive income” in our consolidated balance sheets. Monetary assets and liabilities denominated in foreign currencies, including intercompany accounts with consolidated subsidiaries, are revalued to US dollars at the functional currency rate of exchange at the consolidated balance sheets date. These unrealized foreign exchange gains and losses are recorded as “other expense” in the consolidated statements of operations.

Legal Contingencies—We are subject to various legal proceedings and claims, the outcomes of which are subject to significant uncertainty. We record an accrual for loss contingencies when a loss is probable, and the amount of the loss can be reasonably estimated. We review these accruals quarterly and make revisions based on changes in facts and circumstances (see Note 16, Commitments and Contingencies).

New Accounting Standards—No new Accounting Standards Updates (“ASU”) were issued or adopted in 2024. The following ASU was adopted in 2023:

ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic 326)*, requires the use of an impairment methodology that reflects an estimate of expected credit losses, measured over the contractual life of an instrument, based on information about past events, current conditions, and forecasts of future economic conditions. ASU No. 2016-13 is effective for nonpublic business entities for fiscal years beginning after December 15, 2022. We adopted this ASU on January 1, 2023 with no impact on our current year consolidated financial statements.

3. RESTRUCTURING EXPENSE

We incurred restructuring expenses of \$0.2 and 1.3 million for the years ended December 31, 2024 and 2023, respectively, which include retention and severance costs, Consolidated Omnibus Budget Reconciliation Act (“COBRA”) health coverage and outplacement costs for departing employees, recruiting and sign-on bonuses for new employees, and related consulting and transition costs.

See Note 4. July 2023 Transaction for disclosure of other restructuring expenses incurred during the year ended December 31, 2023.

4. JULY 2023 TRANSACTION

In 2016, Revera, Welltower, and a former member of Sunrise LLC senior management (“WinCo”) formed multiple partnerships (“RealCo”) to acquire sites for construction and operation of Sunrise communities. Prior to the July 2023 Transaction, we managed 16 communities owned by RealCo and were developing or had entered into agreements to develop seven additional communities wholly owned by RealCo. On July 1, 2023, Revera acquired Welltower’s and WinCo’s interests in 12 RealCo communities (10 operating communities and two under development) and Welltower acquired Revera’s and WinCo’s interests in 10 RealCo communities (six operating communities and four under development). The remaining RealCo site to be developed was abandoned, and our development contract was terminated.

The amounts due to Sunrise from the RealCo communities were settled as part of the July 2023 Transaction. In addition, the notes receivable due from the former Chief Executive Officer (CEO) to Sunrise for amounts owed relating to his/WinCo’s equity interests in RealCo (see Former Executive Officer section in Note 17, Related-Party Transactions) were settled. Sunrise then made a short-term loan to RFAC for \$15.7 million that was repaid in December 2023.

In connection with the July 2023 Transaction, the management contracts of 26 communities owned by Welltower and four RealCo communities acquired by Welltower were terminated and transitioned to new third-party operators. We received \$8.5 million from Welltower as a termination fee which was recorded as "Termination fees." We subsequently distributed the \$8.5 million to RFAC.

In the transition of the 30 management contracts, we incurred \$3.4 million of restructuring costs, primarily severance costs and COBRA health coverage for departing employees, during the year ended December 31, 2023.

In addition, we recorded accelerated amortization of \$7.3 million in the year ended December 31, 2023, associated with management contract intangible assets related to the 30 communities as the management agreements expired earlier than their stated termination dates.

The loss of management fee revenue and other associated effects from the transition of the 30 management contracts, net of corporate expense savings from the restructuring, was deemed to be an indicator of impairment whereby we evaluated our other intangible assets, including our company trade name and goodwill, for impairment. We determined that the carrying value of our Sunrise Senior Living trade name exceeded its estimated fair value. We recognized an impairment loss of approximately \$11.9 million in the year ended December 31, 2023.

5. BANK CREDIT FACILITY

On September 12, 2024, we entered into a new \$35 million revolving credit facility with BMO Bank NA ("BMO") which includes a sublimit of \$3 million for letters of credit. The credit facility has a term of three years. The credit facility has an interest rate, at our option, of a Base Rate established by BMO or the Secured Overnight Financing Rate plus 2.5%. The unused fee is 25 basis points. Interest-only payments are due monthly with all principal due at maturity and the credit facility may be prepaid at any time.

Financial covenants associated with the credit facility are as follows:

- Maximum net total debt (including recourse project financing) to adjusted earnings before interest, taxes, depreciation and amortization of 3.5x;
- Maximum net senior debt (excluding any project financing) to adjusted earnings before interest, taxes, depreciation and amortization of 2.0x;
- Minimum fixed charge coverage ratio of total adjusted earnings before interest, taxes, depreciation, amortization less unfinanced capital expenditures to fixed charges of not less than 1.25x.

At December 31, 2024, we had \$0 drawn on the revolving credit facility and we had utilized \$0 of the letter of credit availability, leaving us with undrawn capacity under the revolving credit facility of \$35 million. We are in compliance with all financial covenants at December 31, 2024.

6. INVESTMENTS IN EQUITY INTEREST

On June 13, 2024, we formed a joint venture with EOS Aspired Living Holdings LLC to acquire two senior living properties near Chicago, Illinois. As of December 31, 2024, we have contributed approximately \$0.8 million for a 10% ownership interest in the joint venture. We record our investment in the joint venture using the equity method of accounting as we have more than a minor financial interest and we have the ability to influence business decisions.

On November 5, 2024, we formed a joint venture with Royal 10354 Wilshire LLC (“Lincoln”) to acquire an undeveloped land parcel in Los Angeles, California. As of December 31, 2024, we have contributed approximately \$2.0 million for a 50% ownership interest in the joint venture. We record our investment in the joint venture using the equity method of accounting as we have more than a minor financial interest and we have the ability to influence business decisions.

We recorded a loss from investment in equity interest of \$0.2 million for the year ended December 31, 2024.

We have an investment in an equity interest representing an approximate 9% interest in Spectrum Equity LLC (“Spectrum”), a company that provides rehabilitative therapy management and consulting services.

In the first quarter of 2023, we received \$0.8 million representing our share of the proceeds from the release of escrow funds related to the sale of Spectrum Parent, Inc., a wholly owned subsidiary of Spectrum. These proceeds were recorded as “Gain on sale of investment in equity interest.”

7. INVESTMENTS

The following table provides amortized cost, gross unrealized gains, gross unrealized losses and fair value for our fixed-maturity and short-term investments:

At December 31, 2024

(Dollars in thousands)

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Fixed maturity:				
US Treasury securities	\$ 9,394	\$ -	\$ (64)	\$ 9,330
Mortgage-backed securities (MBS)	3,040	6	(21)	3,025
Asset-backed securities (ABS)	5,254	-	(64)	5,190
Corporate bonds	7,402	-	(102)	7,300
Total fixed-maturity	\$ 25,090	\$ 6	\$ (251)	\$ 24,845
Short-term	50,325	642	-	50,967
Total fixed-maturity and short-term investments	<u>\$ 75,415</u>	<u>\$ 648</u>	<u>\$ (251)</u>	<u>\$ 75,812</u>

Contractual maturity dates for our fixed-maturity and short-term investments were:

At December 31, 2024

(Dollars in thousands)

	Amortized cost	Fair value	% of fair value
Maturity dates:			
Due in one year or less	\$ 50,325	\$ 50,967	67.2%
Due after one year through five years	20,549	20,353	26.8%
Due after five years through ten years	1,951	1,920	2.5%
Due after ten years	2,590	2,572	3.4%
Total	<u>\$ 75,415</u>	<u>\$ 75,812</u>	<u>100.0%</u>

The allowance for credit losses on fixed-maturity securities was \$0 at December 31, 2024.

The fair value of our equity portfolio was \$18.8 million, \$13.9 million in mutual funds and \$4.9 million in common stock, at December 31, 2024. Unrealized gains on mutual funds and common stock still held at December 31, 2024 were \$1.0 million and \$0.4 million, respectively, for the year ended December 31, 2024. Realized gains on sales of mutual funds and common stock was \$0 and \$0.2 million, respectively, for the year ended December 31, 2024.

8. FAIR VALUE MEASUREMENTS

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820, *Fair Value Measurement* Topic, established a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described below:

Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2—Prices determined using other significant observable inputs that other market participants would use in pricing a security, including quoted prices for similar assets and liabilities.

Level 3—Prices determined using significant unobservable inputs for the asset or liability; that is, inputs that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the asset or liability and would be based on the best information available in the circumstances.

Restricted Investments in Marketable Securities—The following table details the restricted investments in marketable securities measured at fair value as of December 31 (in thousands):

Fair Value Measurements at December 31, 2024 Using				
	December 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Treasury securities	\$ 26,697	\$ -	\$ 26,697	\$ -
Commercial paper	33,600	-	33,600	-
Mortgage-backed securities (MBS)	3,025	-	3,025	-
Asset-backed securities (ABS)	5,190	-	5,190	-
Corporate bonds	7,300	-	7,300	-
Mutual funds	13,857	13,857	-	-
Common stock	4,948	4,948	-	-
	<u>\$ 94,617</u>	<u>\$ 18,805</u>	<u>\$ 75,812</u>	<u>\$ -</u>

Fair Value Measurements at December 31, 2023 Using				
	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds	\$ 44	\$ -	\$ 44	\$ -
Common stock	4,567	4,567	-	-
	<u>\$ 4,611</u>	<u>\$ 4,567</u>	<u>\$ 44</u>	<u>\$ -</u>

Available-for-sale securities, such as exchange-traded securities, are recorded at fair value on a recurring basis. Fair value measurement is based upon various sources of market pricing. We use quoted prices in active markets, where available, and classify such instruments within Level 1 of the fair value hierarchy.

Investment securities traded in secondary markets are considered Level 2 assets and are typically valued using prices obtained from third-party pricing services or brokers. The methodologies used by these independent third-party valuation service providers are reviewed and understood by management, through periodic discussion with and information provided by the independent third-party valuation service providers.

Other Fair Value Information—Cash equivalents, certificates of deposit, accounts receivable, notes receivable, accounts payable and accrued expenses, and current assets and liabilities are carried at amounts that reasonably approximate their fair values.

9. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following (in thousands):

	December 31,	
	2024	2023
Accounts receivable:		
Resident receivables	\$ 1,250	\$ 1,242
Receivables from managed communities	61,954	60,193
Income taxes receivable	135	89
Other receivables	<u>6,446</u>	<u>6,018</u>
Total accounts receivable	69,785	67,542
Allowance for doubtful accounts	<u>(486)</u>	<u>(430)</u>
Accounts receivable—net	<u><u>\$ 69,299</u></u>	<u><u>\$ 67,112</u></u>

Receivables from Managed Communities—Amounts due include management fees, payroll, insurance, and other operating and development costs that are reimbursed to us, generally within 30 days.

Other receivables—Amounts include rebates receivable related to our self-insured health and dental plan and national purchasing programs.

10. NOTES RECEIVABLE

We have a note receivable from Greystone Partners II, LP related to the sale of certain subsidiary companies in 2009. The note is a \$2.5 million earn-out, non-interest-bearing note due to mature on March 31, 2029. This note had a carrying value of \$1.6 million and \$1.4 million at December 31, 2024 and 2023, respectively.

11. PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands):

	Asset Lives	December 31,	
		2024	2023
Land and land improvements	15 years	\$ 5,208	\$ 5,493
Building and building improvements	5–40 years	5,564	5,336
Furniture and equipment	3–10 years	5,917	7,156
Construction in progress		<u>21,520</u>	<u>9,940</u>
Total property and equipment		38,209	27,925
Less accumulated depreciation		<u>(6,263)</u>	<u>(7,094)</u>
Property and equipment—net		<u><u>\$ 31,946</u></u>	<u><u>\$ 20,831</u></u>

We recognized \$1.1 million and \$1.4 million of depreciation expense for the years ended December 31, 2024 and 2023.

We wrote off capitalized costs of \$3.3 million and \$3.0 million for the years ended December 31, 2024 and 2023, respectively, associated with projects for which we ultimately could not obtain all the necessary entitlements to proceed with further development or we no longer intend to pursue.

12. LEASES

We lease land, buildings, office space, and certain equipment. Some of our leases include a renewal option to extend the term, ranging from five to 10 years.

In 2024, RFAC contributed its interest in a wholly owned subsidiary to us that leases an undeveloped land parcel under a long-term ground lease. Upon taking ownership of the subsidiary, we recognized an ROU asset of \$14.8 million and a lease liability of \$16.9 million. The lease is classified as a finance lease.

In 2023, we amended the lease for one of our senior living communities whereby the term of the lease was extended to September 6, 2033. Upon extension of the lease, we recognized an ROU asset and lease liability of \$8.1 million.

The components of lease expense were as follows (in thousands):

		Years Ended December 31,	
Classification		2024	2023
Operating lease cost:			
Real estate lease expense	Community lease expense	\$ 1,157	\$ 1,577
Office lease expense	General and administrative expense	1,739	1,737
Office lease expense	Ancillary expense	85	86
Finance lease cost:			
Amortization of leased assets	Depreciation and amortization	13	5
Interest on lease liabilities	Interest expense	<u>100</u>	<u>1</u>
Total		<u>\$ 3,094</u>	<u>\$ 3,406</u>

Lease expense for operating leases for the years ended December 31, 2024 and 2023, included \$3.5 million and \$3.4 million of fixed lease payments and \$0.1 million and \$0.7 million of variable lease expense, respectively.

Future minimum lease payments as of December 31, 2024, are as follows (in thousands):

Years Ending December 31	Operating Leases	Finance Leases
2025	\$ 3,307	\$ 667
2026	3,634	958
2027	3,646	1,000
2028	3,715	1,000
2029	3,786	1,000
Thereafter	<u>5,758</u>	<u>219,615</u>
Total lease payments	23,846	224,240
Less imputed interest	<u>(3,938)</u>	<u>(207,307)</u>
Total present value of lease liabilities	<u>\$ 19,908</u>	<u>\$ 16,933</u>

Supplemental balance sheet information related to leases was as follows (in thousands, except lease terms and discount rate):

	December 31,	
	2024	2023
ROU assets—		
Operating leases	\$ 15,244	\$ 17,040
Finance leases	<u>14,759</u>	<u>-</u>
Total ROU assets	\$ 30,003	\$ 17,040
Lease liabilities—		
Operating leases	\$ 19,908	\$ 22,381
Finance leases	<u>16,933</u>	<u>-</u>
Total lease liabilities	\$ 36,841	\$ 22,381
Weighted-average remaining lease term (years)—		
Operating leases	6.7	7.6
Finance leases	96.7	0.0
Weighted-average discount rate—		
Operating leases	5.07 %	5.02 %
Finance leases	7.09 %	0.00 %

Supplemental cash flow information related to leases was as follows (in thousands):

	Years Ended December 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$3,545	\$3,396
Financing cash flows from finance leases	(16)	6

13. INTANGIBLE ASSETS

Intangible assets consist of the following (in thousands):

	Estimated Useful Lives	December 31,	
		2024	2023
Management contracts—less accumulated amortization of \$44,393 and \$42,452 as of December 31, 2024 and 2023, respectively	3-19 years	\$47,043	\$ 52,957
Trade name	Indefinite	<u>38,400</u>	<u>38,400</u>
		<u>\$85,443</u>	<u>\$ 91,357</u>

We recognized \$5.7 million and \$11.3 million of amortization expense related to our acquired management contracts for the years ended December 31, 2024 and 2023, respectively. Amortization expense recorded in 2024 and 2023 included \$1.9 million and \$7.3 million, respectively, of accelerated amortization of intangible management contract assets associated with communities whose management contracts were terminated earlier than their stated termination dates. In addition, we recorded an impairment loss of \$11.9 million included in “impairment” in our consolidated statements of operations in 2023 related to our Sunrise Senior Living trade name as we determined, based on a discounted cash flow analysis, that the carrying value of the trade name exceeded its estimated fair value.

Estimated aggregate amortization expense for the next five years is as follows (in thousands):

	Management Contracts Amortization
2025	\$ 3,718
2026	3,718
2027	3,680
2028	3,636
2029	3,617
Thereafter	<u>28,674</u>
	<u>\$47,043</u>

14. INCOME TAXES

Revera is a wholly owned subsidiary of The Public Sector Pension Investments Board (“PSP”), which is a division of the Canadian government established to manage pension contributions of federal employees. PSP qualifies as a Canadian Crown corporation under Canadian tax law and is exempt from income taxes. As a result of Revera’s acquisition of 100% of the direct and indirect ownership interests in Red Fox on July 1, 2023 (see Note 4, July 2023 Transaction), the Company and its three Canadian wholly owned subsidiaries are exempt from income tax in Canada.

The benefit from income taxes related to continuing operations was \$7.0 million and \$2.4 million for the years ended December 31, 2024 and 2023, respectively. Our effective tax rate for continuing operations was (23.4)% and (17.9)% for the years ended December 31, 2024 and 2023, respectively. In 2024, the difference between the amount that resulted from applying our effective tax rate and the amount that would have resulted from applying the domestic federal statutory tax rate (21%) was caused primarily by work opportunity credits, the Global Intangible Low-Taxed Income inclusion and deduction, the release of our US valuation allowance, our uncertain tax positions, and the Company’s exempt tax status in Canada.

Total deferred tax assets, net of valuation allowance as of December 31, 2024 and 2023, were \$36.8 million and \$25.7 million, respectively. Our deferred tax assets consist primarily of general operating accruals, deferred compensation, investments in partnerships, work opportunity tax credits, taxes and interest for uncertain tax positions, and federal and state net operating loss (“NOL”) carryforwards.

Total deferred tax liabilities as of December 31, 2024 and 2023, were \$30.6 million and \$28.9 million, respectively. Our deferred tax liabilities primarily consist of differences between book and tax bases in intangible and tangible property assets resulting from Revera’s purchase of the Company in 2014 where Sunrise’s assets and liabilities were revalued to fair value for purchase accounting under US GAAP, but there was no corresponding step-up in basis for Sunrise’s assets, for tax purposes, since it was a stock purchase. In addition to the deferred tax liabilities noted above, the Company has deferred tax liabilities related to prepaid expenses.

In 2023, we had a valuation allowance on the net deferred tax assets of the US Management Company and certain US subsidiaries, as deferred tax assets in excess of reversing deferred tax liabilities were not likely to be realized. In 2024, we reassessed the realizability of our net deferred tax assets and determined that a full valuation allowance is not required. It was determined that the use of the state deferred tax assets and the capital loss carryover is not “more likely than not” and a valuation allowance should remain on those assets. At December 31, 2024 and 2023, our total valuation allowance on our net US deferred tax assets was \$23.7 million and \$38.7 million, respectively. Due to the change in our Canadian tax status noted above, our deferred tax assets and liabilities in Canada were \$0 in 2023 and 2024.

At December 31, 2024, we have estimated US federal NOL carryforwards of \$27.9 million and \$18.5 million of capital losses related to our US consolidated return and \$0 related to other separate company returns, which are carried forward to offset future taxable income in the United States. Ordinary NOLs generated after 2018 have an unlimited carryforward period, losses generated prior to 2018 can be carried forward for 20 years, and capital losses have a five-year carryforward period. Preacquisition NOLs are subject to an annual Section 382 limitation. Therefore, the Company is only permitted to use \$2.3 million of loss generated before January 9, 2013, on an annual basis. At December 31, 2024, we had various state NOL carryforwards resulting in an ending deferred tax asset

of \$14.7 million. The deferred tax asset resulting from state NOLs is based on the blended state tax rate while all other NOL carryforwards are gross and not tax effected.

The major components of the provision for income taxes attributable to continuing operations are as follows (in thousands):

	Years Ended December 31,	
	2024	2023
Current expense (benefit):		
Federal	\$ 1,564	\$ (4,217)
State	887	987
Foreign	-	545
Total current expense (benefit)	<u>2,451</u>	<u>(2,685)</u>
Deferred benefit:		
Federal	(9,415)	(526)
State	(61)	1,713
Foreign	-	(856)
Total deferred benefit	<u>(9,476)</u>	<u>331</u>
Benefit for income taxes	<u>\$ (7,025)</u>	<u>\$ (2,354)</u>

Income tax expense related to minority interest was \$0.1 million in 2024 and 2023. Income tax expense of \$0.1 million and \$0 was recorded to other comprehensive income in 2024 and 2023, respectively.

Income taxes of \$0.3 million and \$1.2 million were paid in the years ended December 31, 2024 and 2023, respectively. Income tax refunds of \$0 and \$5.4 million were received in the years ended December 31, 2024 and 2023, respectively.

In 2023, the Company received income tax refunds of \$5.4 million, of which \$4.9 million was a federal income tax refund from a carryback claim relating to the 2016 tax year which effectively closed the statute of limitations on an uncertain tax position held by the Company relating to that tax year. In addition, our UK entities received a tax clearance certificate from HM Revenue & Customs in the UK confirming that all tax affairs are in order and the entities can liquidate. As a result of these two events, our uncertain tax position liability as of December 31, 2023, and our income tax expense for the year ended December 31, 2023, was reduced by \$4.6 million.

Included in the balance of unrecognized tax benefits at December 31, 2024, was approximately \$6.4 million of tax positions that, if recognized, would decrease our effective tax rate.

The amount of interest related to unrecognized tax benefits was a pretax expense of \$0.9 million and \$0.7 million for 2024 and 2023, respectively. No penalties were recognized in the consolidated statements of operations in 2024 and 2023 related to unrecognized tax benefits.

The total amount of accrued liabilities for interest recognized in our consolidated balance sheets related to unrecognized tax benefits as of December 31, 2024 and 2023, was \$8.9 million and \$8.0 million, respectively. The total amount of accrued liabilities for penalties recognized in our

consolidated balance sheets related to unrecognized tax benefits was \$1.5 million as of December 31, 2024 and 2023. To the extent that uncertain matters are settled favorably, this amount could reverse and decrease our effective tax rate.

Within the next 12 months, no uncertain tax positions are expected to be released.

Taxing Jurisdictions Audits—There are no income tax returns under audit by the US Internal Revenue Service (IRS), with the years after 2020 remaining open and subject to audit. There are no state income tax returns under audit. The state statute of limitations varies by state depending upon state laws, with the years after 2019 and 2020 typically remaining open and subject to audit. There are no income tax returns under audit by the Canadian government, with the years after 2017 remaining open and subject to audit. At this time, we do not expect the results from any income tax audits to have a material impact on our consolidated financial statements.

15. SHARE-BASED AND LONG-TERM INCENTIVE COMPENSATION

The total compensation expense (credit) under all plans is (in thousands):

	Years Ended December 31,	
	2024	2023
Share-based compensation expense	\$ 2,693	\$ 4,174
Long-term incentive compensation expense (credit)	10,167	(12,440)
FICA tax expense	<u>386</u>	<u>519</u>
Share-based and long-term incentive compensation (credit) expense	<u>\$ 13,246</u>	<u>\$ (7,747)</u>

Payments to participants include the remittance of employer FICA ("Federal Insurance Contributions Act") taxes. The total share-based and long-term incentive plan liability of \$29.5 million and \$33.9 million at December 31, 2024 and 2023, respectively, includes accrued FICA taxes of \$0.4 million and \$0.5 million at December 31, 2024 and 2023, respectively.

Activity related to these plans for 2024 and 2023 is as follows (in thousands):

	Share-Based Compensation			
	Phantom Equity	PEU	Phantom Warrants	Total
Balance at January 1, 2023	\$ 16,600	\$ 7,594	\$ 7,748	\$ 31,942
Compensation expense (credit)	(4,476)	8,650	-	4,174
Payments to participants	<u>(8,142)</u>	<u>-</u>	<u>(2,582)</u>	<u>(10,724)</u>
Balance at December 31, 2023	3,982	16,244	5,166	25,392
Compensation expense	-	2,693	-	2,693
Payments to participants	<u>(2,300)</u>	<u>(10,492)</u>	<u>(2,583)</u>	<u>(15,375)</u>
Balance at December 31, 2024	<u>\$ 1,682</u>	<u>\$ 8,445</u>	<u>\$ 2,583</u>	<u>\$ 12,710</u>

Phantom Equity Units—In November 2014, the Compensation Committee of the Board (“Compensation Committee”) approved the design for the Sunrise Senior Living LLC Phantom Equity Plan (the “Equity Plan”). The Equity Plan grants to eligible employees (“Participants”) units, or rights to a cash payment, at the end of three-year performance periods pursuant to the Equity Plan. The value of each unit is based on the Company’s Phantom Equity Value, as defined in the Equity Plan, at the end of each respective three-year performance period divided by the number of units outstanding (“Per Unit Value”). The units cliff vest at the end of each respective three-year performance period. The effective date of the Equity Plan was July 1, 2014.

Phantom Equity Value, as defined in the Equity Plan, is the enterprise value, which is the aggregate fair market value of Sunrise LLC and Sunrise Real Estate, less debt, less contributions, plus cash, plus distributions. Sunrise Real Estate includes any affiliate of the Company formed for the purpose of owning and developing real estate where a majority of the equity interests are owned by a person/entity that also beneficially owns a majority of the equity interests of the Company. In 2023, the Compensation Committee fixed the value of the remaining unpaid units at \$129.60 per unit.

No later than 90 days after the last day of a performance period, each Participant shall be entitled to a cash payment equal to the number of units then held by the Participant multiplied by the Per Unit Value as of the valuation date coincident with or next preceding the last day of the performance period. Thus, the units are liability-classified awards as the units require cash settlement by us to the Participants in the Equity Plan.

Performance Equity Units—In September 2021, the Compensation Committee approved the design for the Sunrise Senior Living LLC PEU Plan. The PEU Plan grants to Participants units, or rights to a cash payment, at the end of three-year performance periods. The value of each unit is based on the Company’s Phantom Equity Value, as defined in the PEU Plan, at the end of each respective three-year performance period multiplied by 0.0000001. The units cliff vest at the end of each respective three-year performance period. The effective date of the PEU Plan was January 1, 2021. The initial grant date of the PEU Plan was December 10, 2021.

Phantom Equity Value, as defined in the PEU Plan, is the enterprise value, which is the aggregate fair market value of Sunrise LLC and Sunrise Real Estate, less debt, less contributions, plus cash, plus distributions. In 2023, the Compensation Committee fixed the value of each unit at \$105.18 per unit.

No later than 90 days after the last day of a performance period, each Participant shall be entitled to a cash payment equal to the number of units then held by the Participant multiplied by the Per Unit Value as of the valuation date coincident with or next preceding the last day of the performance period. Thus, the units are liability-classified awards as the units require cash settlement by us to the Participants in the PEU Plan.

Phantom Warrants—In February 2015, the Compensation Committee also approved the onetime grant of Phantom Warrants (“Warrants”) to certain executives and senior-level employees, subject to Board approval of the Phantom Warrant Plan (the “Warrant Plan”), which was approved by the Board in March 2015. A total of 315,000 Warrants were granted. Each Warrant entitles the holder of that Warrant to a cash payment, for each Warrant exercised, equal to the excess, if any, of the Per Unit Value as of the valuation date coincident with or next preceding the date of exercise, over the Base Value per Warrant, as defined in the Warrant Plan, payable upon or as soon as practicable after the applicable exercise date. Thus, the Warrants are liability-classified awards as the Warrants require cash settlement by us to the holder of the Warrant upon exercise. In 2023, the Compensation Committee

fixed the Per Unit Value of each outstanding warrant. As of December 31, 2024, the total Warrants outstanding were 44,844.

The Base Value per Warrant is \$65.63. The Warrants vested on June 30, 2021. Once vested, except as provided in the grant letter, 25% of the holder's Phantom Warrants will be deemed to be exercised on each of January 1, 2022, 2023, 2024, and 2025.

Activity related to long-term incentive plans for 2024 and 2023 is as follows (in thousands):

	Long-term Incentive Compensation							
	Development Plan					Operating Performance Plan	Captive Plan	Total
	Pool 1	Pool 2	Pool 3	Pool 4	Other			
Balance at January 1, 2023	\$ -	\$ 12,891	\$ 20,109	\$ 334	\$ -	\$ -	\$ -	\$ 33,334
Compensation expense (credit)	1,633	-	(20,109)	700	56	4,826	454	(12,440)
Payments to participants	-	(12,891)	-	-	-	-	-	(12,891)
Balance at December 31, 2023	1,633	-	-	1,034	56	4,826	454	8,003
Compensation expense (credit)	-	-	-	1,751	(56)	6,664	1,808	10,167
Payments to participants	(1,633)	-	-	(28)	-	(117)	-	(1,778)
Balance at December 31, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,757</u>	<u>\$ -</u>	<u>\$ 11,373</u>	<u>\$ 2,262</u>	<u>\$ 16,392</u>

Development Plan—In November 2014, the Compensation Committee approved the Sunrise Senior Living LLC Development Plan (the “Development Plan”) to provide a means whereby Sunrise may provide incentives to key employees of the Company and its subsidiaries to maximize the value of real estate development projects through rewards that are based on such value.

Per the terms of the Development Plan, the Board will designate a group of projects as a portfolio. As of December 31, 2024, two pools were active:

	Number of Projects	Portfolio Commencement Date	Performance Ending Date
Pool 3	13	January 1, 2018	December 31, 2024
Pool 4	7	January 1, 2021	December 31, 2027

The Compensation Committee shall determine the Portfolio Bonus Pool for each pool by multiplying the excess, if any, of the Portfolio Equity Value over the Portfolio Hurdle Rate, by 30% creating the Portfolio Bonus Pool, as all such terms are defined in the Development Plan. The performance period is

the period commencing on the portfolio commencement date and ending on the seventh anniversary, or sooner if certain events take place before the seventh anniversary of the portfolio commencement date, e.g., change in control. The Portfolio Bonus Pool will be paid out to the Participants based on their award percentage adjusted for any forfeitures or reductions as provided for in the plan.

The estimated Portfolio Equity Value for each pool is based on the results of property valuations or sales transaction prices where applicable, for each property in the pool.

The estimated Portfolio Equity Value for Pool 3 resulted in a Portfolio Bonus Pool of \$0 at December 31, 2024 and 2023.

In May 2023, the Compensation Committee revised the calculation of the Portfolio Bonus Pool for Pool 4 to a combination of fixed and variable compensation amounts whereby the variable amounts would remain tied to the excess of the pool's Portfolio Equity Value over the Portfolio Hurdle Value. The estimated fixed Portfolio Bonus Pool for Pool 4 was \$7.1 million and \$7.6 million at December 31, 2024 and 2023, respectively and the variable Portfolio Bonus Pool was \$0 at December 31, 2023 and 2024. These estimates were based on information available at the time these consolidated financial statements were prepared. The actual amount of the variable Portfolio Bonus Pool, which will be payable within 90 days of the earlier of December 31, 2027 or the date the last property in each pool is sold, could be significantly higher or lower than this estimate based on various factors, including, but not limited to, (1) fair market values of any development assets not sold by the end of the performance period as determined by an independent valuation firm, (2) sales values for any development assets sold prior to the end of the performance period, (3) timing of sales and operating cash distributions, and (4) achievement of certain internal rate of return hurdles under the Equity Plan.

Operating Performance Plan—In May 2023, the Compensation Committee approved the design for the Sunrise Senior Living LLC Operating Performance Plan ("OPP"). The OPP grants to Participants awards, or rights to a cash payment, at the end of three-year performance periods based on the Company's performance against performance goals determined by the Board. Two three-year performance periods have been established as of December 31, 2024; one from January 1, 2023 to December 31, 2025 and a second from January 1, 2024 to December 31, 2026.

No later than 90 days after the last day of a performance period, each Participant shall be entitled to a cash payment based on the Company's achievement on either a target, threshold or superior level of performance against the performance goals.

Captive Plan—In May 2023, the Compensation Committee approved the design for the Captive Plan. The Captive Plan grants to Participants awards, or rights to a cash payment, at the end of three-year performance periods based on the performance of Sunrise Insurance against performance goals determined by the Board. Two three-year performance periods have been established as of December 31, 2024; one from January 1, 2023 to December 31, 2025 and a second from January 1, 2024 to December 31, 2026.

No later than 90 days after the last day of a performance period, each Participant shall be entitled to a cash payment based on Sunrise Insurance's achievement on either a target, threshold or superior level of performance against the performance goals.

16. COMMITMENTS AND CONTINGENCIES

Letters of Credit—At December 31, 2024 and 2023, we had \$2.0 million and \$2.6 million, respectively, in letters of credit relating to operations, which were collateralized with cash. Also, we had

\$68.9 million and \$69.6 million in letters of credit relating to our community insurance program as of December 31, 2024 and 2023, respectively, which are fully cash collateralized.

Debt Guarantees—We have provided completion guarantees and principal guarantees on third-party debt associated with properties owned by Revera and joint venture properties ranging from 2% to 50% based on certain performance criteria. The maximum exposure under the principal guarantees was \$35.0 million as of December 31, 2024. In conjunction with the guarantees, we are required to comply with various financial covenants. We are in compliance with all financial covenants at December 31, 2024. The remaining terms of the debt that we have guaranteed range from approximately one month to two years as of December 31, 2024.

We have an Agreement for Guaranty Reimbursement (“Agreement”) with Revera and Welltower. Under the Agreement, Revera and Welltower have agreed to execute a reimbursement agreement in connection with each community. The reimbursement agreements stipulate that in the event Sunrise pays funds on account of its guaranty of any of the above loans, Revera or Welltower will reimburse Sunrise for those amounts.

In addition, we have provided a debt service payment guarantee on third-party debt associated with two properties owned by a joint venture in which we have a 10% ownership interest (see Note 6). The guarantee includes the payment of interest and non-balloon payments of principal on the debt. The maximum exposure under the debt service payment guarantee was \$3 million as of December 31, 2024. In conjunction with the guarantee, we are required to comply with various financial covenants. We are in compliance with all financial covenants at December 31, 2024. The remaining term of the debt is four years and six months as of December 31, 2024.

Legal Proceedings

Pending Lawsuits and Claims

We are involved in various lawsuits and claims, regulatory matters, and other governmental audits and investigations arising in the normal course of business. These claims may not be fully insured, and some may allege large damage amounts. It is the opinion of management, that the disposition of any such lawsuits, claims, regulatory matters and other governmental audits and investigations that are currently pending will not, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations. However, regardless of the merits of a particular action, investigation or claim, we may be forced to expend significant financial resources to defend and resolve these matters. We are unable to predict the ultimate outcome of these lawsuits, investigations, claims and other legal and regulatory proceedings, and if management’s assessment of our liability with respect thereto is incorrect, such actions, investigations and claims could have a material adverse effect on us.

In June 2017, a putative class action complaint was filed against the Company in the Alameda County Superior Court for California. The matter was later removed to US District Court for the Central District of California (“Court”). The plaintiffs asserted violations of the Consumers Legal Remedies Act and elder financial abuse. On November 16, 2023, the Court entered an order certifying the class. In April 2024, the parties executed a settlement agreement to resolve all claims. The plaintiffs subsequently filed a Motion for Preliminary Approval of Class Settlement, which the Court granted, and the notices of settlement were distributed to class members. On November 8, 2024, the Court held a hearing on the plaintiffs’ motion for final approval of the class settlement and plaintiffs’ attorney’s fees and costs. On December 3, 2024, the Court entered the Order Granting Motion for Final Approval of Settlement and Attorneys’ Fees and Costs, and the final judgment was entered on December 16, 2024, dismissing the

case. The settlement amount of \$18.2 million is included in “Accounts payable and accrued expenses” in our consolidated financial statements as of December 31, 2024. The settlement amount was paid in January 2025.

There are 43 communities that are part of the class. We currently or previously managed 40 of the communities and currently or previously consolidated three of the communities. We received approximately \$16.9 million in reimbursements from third party owners in December 2024 to pay for their portion of the settlement.

17. RELATED-PARTY TRANSACTIONS

Welltower—Prior to the July 2023 Transaction (see Note 4), Welltower owned a 34% indirect interest in Sunrise, which was acquired by Revera in the July 2023 Transaction.

Revenues earned from Welltower’s communities prior to the July 2023 Transaction are as follows (in thousands):

	<u>Year Ended December 31,</u> <u>2023**</u>	
	<u>Wholly Owned</u>	<u>Joint Venture*</u>
Management fees	\$ 22,032	\$ 1,199
Professional fees from development, marketing, and other	1,579	127
Reimbursed costs incurred on behalf of managed communities	<u>277,186</u>	<u>7,789</u>
Total revenues	<u>\$ 300,797</u>	<u>\$ 9,115</u>

* Excludes RealCo, which is included in the next section.

** Includes only amounts through June 30, 2023.

Costs incurred on behalf of managed communities included \$6.5 million of indirect facility expenses not reimbursed by Welltower under the amended management contracts for the year ended December 31, 2023.

RealCo—As a part of the July 2023 Transaction (see Note 4), the ownership of the RealCo communities was acquired by either Revera or Welltower.

Revenues earned from RealCo’s communities prior to the July 2023 Transaction are as follows (in thousands):

	<u>Year Ended December 31, 2023**</u>
Management fees	\$ 2,510
Professional fees from development, marketing, and other	3,771
Reimbursed costs incurred on behalf of managed communities	<u>37,513</u>
Total revenues	<u>\$43,794</u>

** Includes only amounts through June 30, 2023.

Revera—Prior to the July 2023 Transaction, Revera owned a 66% indirect interest in Sunrise. In the July 2023 Transaction, Revera acquired the remaining 34% indirect interest in Sunrise from Welltower and WinCo to increase its indirect ownership percentage in Sunrise to 100%. In addition, Revera acquired Welltower and WinCo’s direct and indirect interest in 12 RealCo communities (10 operating communities and two under development). Both communities under development are now operating as of December 31, 2024. Revera also has three wholly owned subsidiaries that own three undeveloped land parcels, of which one is currently under development by us.

We had \$17.4 million in net receivables from the above entities as of December 31, 2024. Net amounts due from operating communities include management fees, payroll, insurance, and other operating costs that are reimbursed to us, generally within 30 days. Amounts due from development communities include entitlement, predevelopment, land acquisition, construction, and preopening costs that will be reimbursed to us either from equity funding or construction loan draw requests, generally within 30 days.

“Due from affiliates, long term” of \$16.3 million at December 31, 2024, represents an indemnification receivable from Revera related to our uncertain tax positions prior to January 9, 2013.

In 2024, RFAC contributed its interests in two other wholly owned subsidiaries to us that own or lease two undeveloped land parcels. In consideration, we distributed approximately \$8.4 million to RFAC.

The following table presents information related to the major classes of assets and liabilities added to our consolidated balance sheet due to the transaction as of December 1, 2024 (in thousands):

	December 1, 2024
Assets:	
Right-of-use assets, net	\$ 14,771
Property, plant and equipment, net	13,506
Due from affiliates	<u>(2,834)</u>
Total assets	<u>\$ 25,443</u>
Liabilities:	
Working capital, net	\$ 96
Lease liabilities	<u>16,916</u>
Total liabilities	<u>\$ 17,012</u>
Cash distributed to RFAC	<u>\$ (8,431)</u>

Revenues earned from Revera's communities, including the former RealCo communities now owned by Revera from July, are as follows (in thousands):

	Years Ended December 31,	
	2024	2023
Management fees	\$ 4,692	\$ 1,712
Professional fees from development, marketing, and other	877	1,866
Reimbursed costs incurred on behalf of managed communities	<u>62,882</u>	<u>29,242</u>
Total revenues	<u>\$ 68,451</u>	<u>\$ 32,820</u>

Our management agreements with Revera are for initial terms of 15 years from the date the community opened.

Our development agreements with Revera provide for payment of a development fee to Sunrise as compensation for our management of predevelopment activities and construction management services. The development fee is based on a percentage of budgeted costs, excluding land acquisition costs and contingencies.

Former Executive Officer—In accordance with the terms of the separation agreement, the former CEO was given notes payable of \$0.4 million and \$3 million; amounts equal to his after-tax share of the Development Plan Pool 2 and Pool 3 Portfolio Bonus Pools as of December 31, 2020, respectively. The outstanding amount on the Pool 2 note was repaid in February 2024. The Pool 3 note, including accrued interest, had a carrying value of \$3.0 million as of December 31, 2024. Interest on the Pool 3 note accrues monthly at the April 2021 IRS Applicable Federal Rate of 0.12%. The outstanding amount on the Pool 3 note, including accrued interest, is due to be paid within 90 days of December 31, 2024.

Prior to the July 2023 Transaction, the former CEO owned a 0.7% interest in the RealCo properties that he had an interest in as of his departure date. Sunrise provided notes receivable to the former CEO to acquire his equity interests in RealCo. These notes, including accrued interest, had a carrying value of \$2.1 million as of June 30, 2023. These notes were repaid as a part of the July 2023 Transaction (see Note 4).

18. ACCOUNTS PAYABLE AND ACCRUED EXPENSES AND OTHER LONG-TERM LIABILITIES

Accounts payable and accrued expenses consist of the following (in thousands):

	December 31,	
	2024	2023
Accounts payable and accrued expenses	\$ 16,953	\$ 23,732
Accrued salaries and bonuses	47,611	40,041
Accrued employee health and other benefits	39,326	37,621
Share-based and long-term incentive compensation liabilities	13,090	17,245
NOI shortfall liability	7,175	10,295
Legal settlement liabilities	20,880	-
Other accrued expenses	6,422	8,771
	<u>\$ 151,457</u>	<u>\$ 137,705</u>

Other long-term liabilities consist of the following (in thousands):

	December 31,	
	2024	2023
Uncertain tax position	\$ 16,762	\$ 15,859
Share-based and long-term incentive compensation liabilities	16,392	16,611
NOI shortfall liability	-	5,148
Other	2,435	2,839
	<u>\$ 35,589</u>	<u>\$ 40,457</u>

An owner of a portfolio of communities that we manage under long-term management agreements notified Sunrise that the portfolio of communities did not meet specified performance thresholds during 2024 and 2023, respectively, as defined in the management pooling agreement. This provided the owner with, in their sole discretion and option, a collective termination option to terminate the management agreements for the portfolio. In consideration of the owner waiving its termination right in 2024 and 2023, Sunrise agreed to make NOI shortfall payments of approximately \$2.0 million and \$15.4 million, respectively. As of December 31, 2024, approximately \$10.3 million of the \$15.4 million shortfall payment for 2023 had been made. The remaining payments totaling approximately \$7.1 million will be paid in 2025. A reduction to "Management fees" of \$2.0 million and \$15.4 million was recorded in our consolidated statements of operations for the years ended December 31, 2024 and December 31, 2023, respectively, in the amount of the NOI shortfall.

19. 401(K) PLAN

We have a 401(k) Plan (the "Plan") covering all eligible employees. Under the Plan, eligible employees may make pretax contributions up to 100% of the IRS limits, subject to limitations imposed by nondiscrimination testing purposes. The Plan provides a discretionary employer match dependent upon compensation levels and years of service. The Plan does not provide for any additional discretionary matching contributions beyond the employer match. Matching contributions were \$1.8 million and \$1.6 million for the years ended December 31, 2024 and 2023, respectively.

20. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 10, 2025, the date these consolidated financial statements were issued. Other than the events identified within, there were no other subsequent events identified.

On February 13, 2025, we sold our interest in a project and entered into a development agreement to develop a senior living community in Manhattan Beach, CA to an unrelated not-for-profit entity, QSH/MB, LLC ("QSH"), a wholly-owned subsidiary of Quality Senior Housing, LLC. At Closing, we assigned our right, title and interest in a ground lease for the land underlying the Manhattan Beach property to QSH and received proceeds of \$4.5 million. In addition, QSH reimbursed us for \$7.8 million of development costs to date and we acquired two tranches of Series C bonds from QSH: Tax-exempt Series 2025C-1 for \$9.5 million with a 9.5% interest rate and maturity date of July 1, 2065; and Taxable Series 2025C-2 for \$2.5 million with a 12% interest rate and maturity date of July 1, 2065. The Series C bonds are subordinate to Series A bonds owned by other investors in the project. Sunrise also entered into a management agreement with QSH effective upon opening of the community to manage it for a term of 30 years.
