

FISCAL YEAR ENDED:

02 / 28 / 2026

ANNUAL REPORT CHECKLIST

PROVIDER(S): Channing House

CCRC(S): Channing House

PROVIDER CONTACT PERSON: Jaisie Lozano

TELEPHONE NO.: (650) 324-7560

EMAIL: jlozano@channinghouse.org

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

- ☐ Annual Report Checklist.
- ☐ Annual Provider Fee in the amount of: \$ 22,938.
 - ☐ If applicable, late fee in the amount of: \$ _____
- ☐ Certification by the provider's **Chief Executive Officer** that:
 - ☐ The reports are correct to the best of his/her knowledge.
 - ☐ Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - ☐ The provider is maintaining the required *liquid* reserves and, *when applicable*, the required refund reserve.
- ☐ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- ☐ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☐ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- ☐ "Continuing Care Retirement Community Disclosure Statement" for **each** community.
- ☐ Form 7-1, "Report on CCRC Monthly Service Fees" for **each** community.
- ☐ Form 9-1, "Calculation of Refund Reserve Amount", *if applicable*.
- ☐ Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

FORM 1-1:RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	243
[2]	Number at end of fiscal year	230
[3]	Total Lines 1 and 2	473
		x.50
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	
[5]	Mean number of continuing care residents	237
All Residents		
[6]	Number at beginning of fiscal year	250
[7]	Number at end of fiscal year	235
[8]	Total Lines 6 and 7	485
		x.50
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	
[10]	Mean number of <i>all</i> residents	243
[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).	0.98

FORM 1-2: ANNUAL PROVIDER FEE

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service - interest only)	35,479,124.00
[a] Depreciation	7,368,825.00
[b] Debt Service (Interest Only)	4,704,516.00
[2] Subtotal (add Line 1a and 1b)	12,073,341.00
[3] Subtract Line 2 from Line 1 and enter result.	23,405,783.00
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	0.98
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	22,937,667.00
[6] Total Amount Due (multiply Line 5 by .001)	\$ 22,938.00

PROVIDER: Channing HouseCOMMUNITY: Channing House



June 22, 2026

Ms. Jennifer Houston
Continuing Care Contracts Branch
Department of Social Services
744 P Street, MS 10-90
Sacramento, CA 95814

Re: Channing House Annual Reserve Report and Certification

Dear Ms. Houston:

Attached for your review are our Annual Reserve Report Forms 5-1 through 5-5, Disclosure Statements, Fidelity Bond, Audited Financial Statements for FY2026 as well as Key Indicators Report and Form 7-1.

I certify that 1) this report and all attachments are correct to the best of my knowledge, 2) all contract forms in current use have been approved by the Department of Social Services, and 3) that Channing House continues to maintain the liquid reserves required by State statute.

This report will be filed in the Channing House library for resident review as well as on our website.

If you have any questions, please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rhonda Bekkedahl", is written over a light blue horizontal line.

Rhonda Bekkedahl
Chief Executive Officer

Enclosures

SURETY BOND*(Original sent to Regional Office)*Applicant/Licensee Name: Channing HouseAddress: 850 Webster Street, Palo Alto, CA 94301Bonding Company: Hartford Fire Insurance CompanyAddress: One Hartford Plaza, Hartford, CT 06155Telephone #: 650-327-0950Local Agent Name: HEFFERNAN INSURANCE BROKERSTelephone #: 800-234-6787**The addresses shown above for licensee and bonding company will be used
for service of notices, papers, and other documents.**

BE IT KNOWN THAT:

Licensee, as Principal, and Bonding Company, as Surety, are held and firmly bound to the State of California, as beneficiary, in the amount of \$5,000 (Five Thousand Dollars) for the payment of which the principal and surety bind themselves, their respective heirs, successors and assigns, jointly and severally.

WHEREAS Health and Safety Code sections 1560, 1568.021, and 1569.60 each require certain applicants for licenses to file with the State Department of Social Services a surety bond; and

WHEREAS the licensee has applied to operate an *(check all that apply)*:

- ☒ Adult Residential, Adult Day Programs or Social Rehabilitation Facility, and the licensee handles client/resident funds in any amount; or
- ☐ Foster Family Home, Foster Family Agency, Group Home, Small Family Home, Residential Care Facility for Persons with Chronic, Life-Threatening Illness, or Residential Care Facility for the Elderly, and the licensee handles funds of \$50 or more per client/resident or \$500 or more for all clients/ residents in any month;

NOW, THEREFORE, the surety is liable on this bond in the event that the principal fails to handle faithfully and honestly the money of facility clients/residents.

The facility covered by this bond is:

Facility Name: Channing HouseFacility Address: 850 Webster St Palo Alto, CA 94301Facility License Number (if facility is currently licensed): 430700136

(If other facilities are covered by this bond, specify on a separate, attached page the name, address, facility license number, and bond amount for each facility.)

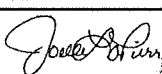
Every person injured as a result of any unfaithful or dishonest handling of client money may bring an action in a proper court on the bond for the amount of damage suffered thereby to the extent covered by the bond.

The aggregate liability of the Surety for all claims against this bond shall not exceed the amount of the bond, shown above.

This bond may be canceled by the Surety in accordance with Code of Civil Procedure section 996.030, and notice of cancellation must be sent in accordance with Code of Civil Procedure section 996.320. This bond is effective May 1, 2026, and remains in effect as long as the license is valid.

I certify under penalty of perjury under the laws of the State of California that the information provided on this page and on any attachments is true and correct.

BONDING COMPANY SIGNATURE:



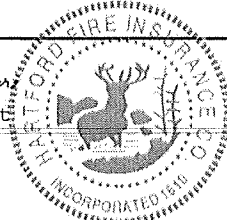
Joelle L LaPierre, Attorney-in-Fact

BOND NUMBER:

57BSBGG3127

DATE:

February 2, 2026



57BSBG3127

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

ACKNOWLEDGEMENT OF SURETY

State of Florida

County of Seminole

}

On February 2, 2026 before me, Mariluz Arce, Notary Public
date here insert name and title of the officer

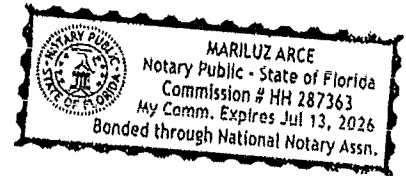
personally appeared Joelle LaPierre, Attorney-in-Fact
name(s) of signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Mariluz Arce (Seal)



POWER OF ATTORNEY

Direct Inquiries, Bond Authenticity
and Claims to:

THE HARTFORD
BOND, T-14
One Hartford Plaza
Hartford, Connecticut 06155
Bond.Claims@thehartford.com

call: 888-266-3488 or fax: 860-757-5835

KNOW ALL PERSONS BY THESE PRESENTS THAT:

Agency Name: HEFFERNAN INSURANCE BROKERS

Agency Code: 57-100101

- ☒ **Hartford Fire Insurance Company**, a corporation duly organized under the laws of the State of Connecticut
- ☐ **Hartford Casualty Insurance Company**, a corporation duly organized under the laws of the State of Indiana
- ☐ **Hartford Accident and Indemnity Company**, a corporation duly organized under the laws of the State of Connecticut
- ☐ **Hartford Insurance Company of the Midwest**, a corporation duly organized under the laws of the State of Indiana

having their home office in Hartford, Connecticut (hereinafter collectively referred to as the "Companies") do hereby make, constitute and appoint Joelle L LaPierre of Lake Mary, Florida, its true and lawful Attorney-in-Fact, to sign its name as surety(ies) only as delineated above by, and to execute, seal and acknowledge the following bond, undertaking, contract or written instrument:

Bond No. 57BSBG3127

Naming Channing House as Principal,

and STATE OF CALIFORNIA DEPARTMENT OF SOCIAL SERVICES as Obligee,

in the amount of See Bond Form(s) on behalf of Company in its business of guaranteeing the fidelity of persons, guaranteeing the performance of contracts and executing or guaranteeing bonds and undertakings required or permitted in any actions or proceedings allowed by law.

In Witness Whereof, and as authorized by a Resolution of the Board of Directors of the Companies on May 23, 2016 the Companies have caused these presents to be signed by its Assistant Vice President and its corporate seals to be hereto affixed, duly attested by its Assistant Secretary. Further, pursuant to Resolution of the Board of Directors of the Companies, the Companies hereby unambiguously affirm that they are and will be bound by any mechanically applied signatures applied to this Power of Attorney.



Phyllis A. Clark

Phyllis A. Clark, Assistant Secretary

Joelle L. LaPierre

Joelle L. LaPierre, Assistant Vice President

STATE OF FLORIDA

COUNTY OF SEMINOLE

ss. Lake Mary

On this 1st day of March, 2024, before me personally came Joelle L. LaPierre, to me known, who being by me duly sworn, did depose and say: that (s)he resides in Seminole County, State of Florida; that (s)he is the Assistant Vice President of the Companies, the corporations described in and which executed the above instrument; that (s)he knows the seals of the said corporations; that the seals affixed to the said instrument are such corporate seals; that they were so affixed by authority of the Boards of Directors of said corporations and that (s)he signed his/her name thereto by like authority.



Mariluz Arce

Mariluz Arce
My Commission HH 287363
Expires July 13, 2026

I, the undersigned, Assistant Vice President of the Companies, DO HEREBY CERTIFY that the above and foregoing is a true and correct copy of the Power of Attorney executed by said Companies, which is still in full force effective as of February 2, 2026.

Signed and sealed in Lake Mary, Florida.



Keith D. Dozois

Keith D. Dozois, Assistant Vice President



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
12/05/2024

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 Caring Communities Shared Services LTD 1850 W. Winchester Road Suite 109 Libertyville IL 60048	CONTACT NAME: Underwriting Associate PHONE (A/C, No, Ext): 847-549-8225 FAX (A/C, No): 847-549-8095 E-MAIL ADDRESS: Certificates@caringcomm.org												
INSURED Channing House Channing House 850 Webster Street Palo Alto CA 94301	<table><tr><th>INSURER(S) AFFORDING COVERAGE</th><th>NAIC #</th></tr><tr><td>INSURER A: Caring Communities, A Reciprocal RRG</td><td>12373</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></table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A: Caring Communities, A Reciprocal RRG	12373	INSURER B:		INSURER C:		INSURER D:		INSURER E:	
INSURER(S) AFFORDING COVERAGE	NAIC #												
INSURER A: Caring Communities, A Reciprocal RRG	12373												
INSURER B:													
INSURER C:													
INSURER D:													
INSURER E:													

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

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

INSR LTR	TYPE OF INSURANCE	ADD'L INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	☒ COMMERCIAL GENERAL LIABILITY ☐ CLAIMS MADE ☒ OCCUR ☒ Professional Liability-Claims Made ☒ PL Retro Date 10/06/2021 GEN'L AGGREGATE LIMIT APPLIES PER: ☒ POLICY ☐ PRO-JECT ☐ LOC OTHER:	X		CCRRRG-0079-25	01/01/2025	01/01/2026	EACH OCCURRENCE \$ 1,000,000.00 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 300,000.00 MED EXP (Any one person) \$ - PERSONAL & ADV INJURY \$ 1,000,000.00 GENERAL AGGREGATE \$ 3,000,000.00 PRODUCTS - COMP/OP AGG \$ incl
	AUTOMOBILE LIABILITY ☐ ANY AUTO ☐ ALL OWNED AUTOS ☐ HIRED AUTOS ☐ SCHEDULED AUTOS ☐ NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
A	☐ UMBRELLA LIAB ☒ OCCUR-GL ☒ EXCESS LIAB ☒ CLAIMS MADE-PL ☐ DEDUCTIBLE ☒ RETENTION \$ 0	X		CCRRRG-0079-25 *Sublimits apply	01/01/2025	01/01/2026	EACH OCCURRENCE \$ 10,000,000.00 AGGREGATE \$ 10,000,000.00 *AUTO \$ 10,000,000.00
	WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? ☐ (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A					PER STATUTE ☐ OTHER ☐ E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
	OTHER						

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

12/05/2024 19:19:17

Office of Statewide Health Planning and Development (Office); California Municipal Finance Authority (Authority); Channing House (Corporation); Hanson Bridgett LLP (Attorney Office); The Bank of New York Mellon Trust Company, N.A. (Trustee) are included as Additional Insureds under Coverage B Commercial General Liability of this POLICY, but solely with respects their financial interests, as they may appear, as per the signed written contract or agreement with the Named INSURED. A 30 day notice of cancellation is afforded the Additional INSURED, 10 day notice for non-payment of premium.

CERTIFICATE HOLDER**CANCELLATION**

Cal-Mortgage Loan Insurance Division
Office of Statewide Health Planning & Development
2020 West El Camino Avenue, Suite 1231
Sacramento CA 95833

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

Report of Independent Auditors
and Financial Statements



February 28, 2026 and 2025

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Report of Independent Auditors

The Board of Trustees
Channing House

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Channing House, which comprise the statements of financial position as of February 28, 2026 and 2025, and the related statements of activities and changes in net deficit and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Channing House as of February 28, 2026 and 2025, 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 Channing House 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 Channing House's ability to continue as a going concern within 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 Channing House'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 Channing House'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.

Baker Tilly US, LLP

San Francisco, California
June 17, 2026

Financial Statements

Channing House
Statements of Financial Position
February 28, 2026 and 2025

	2026	2025
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,216,072	\$ 442,278
Accounts receivable, net	137,102	85,741
Investments	33,034,694	31,719,796
Assets limited as to use, current	4,496,162	3,682,508
Inventory	76,737	41,521
Prepaid expenses	748,706	578,313
Total current assets	<u>39,709,473</u>	<u>36,550,157</u>
Assets limited as to use, net of current portion	7,577,143	6,244,130
Property and equipment, net	144,253,628	113,601,317
Other assets	82,571	157,571
Total assets	<u><u>\$ 191,622,815</u></u>	<u><u>\$ 156,553,175</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 5,082,178	\$ 4,833,243
Current portion of bonds payable, net	2,400,000	2,285,000
Total current liabilities	<u>7,482,178</u>	<u>7,118,243</u>
Pension liability	195,666	157,461
Refundable entrance fees refundable upon re-occupancy	12,607,561	9,192,661
Deferred revenue from entrance fees	58,886,267	57,546,504
Bonds payable, net of current portion	121,573,798	91,055,396
Total liabilities	<u>200,745,470</u>	<u>165,070,265</u>
Net assets (deficit)		
Without donor restrictions		
Undesignated	(15,140,587)	(14,044,760)
Board-designated	5,513,829	5,046,507
With donor restrictions	504,103	481,163
Total net deficit	<u>(9,122,655)</u>	<u>(8,517,090)</u>
Total liabilities and net deficit	<u><u>\$ 191,622,815</u></u>	<u><u>\$ 156,553,175</u></u>

See accompanying notes.

Channing House
Statements of Activities and Changes in Net Deficit
Years Ended February 28, 2026 and 2025

	2026	2025
REVENUES, GAINS, AND OTHER SUPPORT		
Monthly care fees	\$ 22,429,925	\$ 21,298,013
Resident entrance fees earned	7,683,962	5,546,814
Interest and dividend income	1,401,627	1,081,077
Other services	837,346	836,724
Donations and other	315,445	198,576
Operating revenues	32,668,305	28,961,204
Net assets released from restriction for operations	8,050	24,103
Total revenues	32,676,355	28,985,307
EXPENSES		
Salaries and benefits	15,419,912	13,766,063
Purchased services	4,814,168	4,970,485
Supplies	1,628,354	1,587,966
Utilities	1,408,008	1,271,113
Other	135,341	101,126
Depreciation	7,368,825	7,013,374
Interest expense	4,704,516	4,046,514
Total expenses	35,479,124	32,756,641
LOSS BEFORE NONOPERATING GAIN	(2,802,769)	(3,771,334)
NONOPERATING GAIN		
Other components of net periodic pension cost	(44,444)	(46,350)
Net unrealized gain on trading securities	1,195,469	947,968
Net realized gain on investments	989,790	774,192
Total nonoperating gain	2,140,815	1,675,810
NET LOSS	(661,954)	(2,095,524)
Net unrealized gain on investments other than trading	43,679	43,435
Change in pension obligation	(10,230)	20,613
Net increase in net deficit without donor restrictions	(628,505)	(2,031,476)
Net assets with donor restrictions		
Donations	14,100	3,500
Income from investments with donor restrictions, net	16,890	13,565
Release from restrictions for use in operations	(8,050)	(24,103)
Net increase (decrease) in net assets with donor restrictions	22,940	(7,038)
CHANGE IN NET DEFICIT	(605,565)	(2,038,514)
NET DEFICIT, beginning of year	(8,517,090)	(6,478,576)
NET DEFICIT, end of year	\$ (9,122,655)	\$ (8,517,090)

See accompanying notes.

Channing House
Statements of Cash Flows
Years Ended February 28, 2026 and 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Monthly care fees	\$ 22,378,564	\$ 21,313,488
Entrance fees received from residents	9,023,725	8,017,679
Other receipts from operations	837,346	836,724
Investment income received	1,418,517	1,094,642
Donations and miscellaneous revenues	321,495	177,973
Cash paid to employees and suppliers	(24,124,965)	(22,047,337)
Interest paid	(4,135,400)	(4,246,902)
Net cash provided by operating activities	<u>5,719,282</u>	<u>5,146,267</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	45,040,315	5,951,889
Purchase of investments	(41,982,143)	(10,589,089)
Purchases of property and equipment	(37,890,701)	(3,394,243)
Net cash used in investing activities	<u>(34,832,529)</u>	<u>(8,031,443)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on bonds payable	(2,285,000)	(2,175,000)
Proceeds from issuance of bonds	36,120,000	-
Payment of loan financing costs	(3,072,060)	-
Entrance fees received from residents	3,414,900	3,194,796
Refunds of entrance fees	-	(1,101,600)
Net cash provided by (used in) financing activities	<u>34,177,840</u>	<u>(81,804)</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	5,064,593	(2,966,980)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	<u>5,118,049</u>	<u>8,085,029</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	<u><u>\$ 10,182,642</u></u>	<u><u>\$ 5,118,049</u></u>

See accompanying notes.

Channing House
Statements of Cash Flows
Years Ended February 28, 2026 and 2025

	<u>2026</u>	<u>2025</u>
RECONCILIATION OF CHANGE IN NET DEFICIT		
TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net deficit	\$ (605,565)	\$ (2,038,514)
Adjustments to reconcile change in net deficit to net cash provided by operating activities		
Depreciation	7,368,825	7,013,374
Amortization of bond issuance costs	272,052	237,453
Amortization of bond premium, net of discount	(401,590)	(401,590)
Amortization of resident entrance fees earned	(7,683,962)	(5,546,814)
Unrealized gain on investments	(1,239,148)	(991,403)
Realized gain on investments	(989,790)	(774,192)
Loss on disposal of property and equipment	-	10,215
Entrance fees received from residents	9,023,725	8,017,679
Changes in operating assets and liabilities		
Accounts receivable	(51,361)	15,475
Inventory	(35,216)	(6,311)
Prepaid expenses	(170,393)	154,244
Other assets	75,000	(75,000)
Accounts payable and accrued expenses	91,031	(506,086)
Pension liability	65,674	37,737
Net cash provided by operating activities	<u>\$ 5,719,282</u>	<u>\$ 5,146,267</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Fixed assets included in accounts payable	\$ 130,435	\$ 239,175
Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	1,216,072	442,278
Cash and cash equivalents in assets limited as to use	<u>8,966,570</u>	<u>4,675,771</u>
Total cash, cash equivalents, and restricted cash on the statements of cash flows	<u>\$ 10,182,642</u>	<u>\$ 5,118,049</u>

See accompanying notes.

Channing House

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

History and organization – Channing House is a nonprofit public benefit corporation licensed by the State of California Department of Public Health and the California Department of Social Services to provide housing, related facilities, and health services for senior persons. Channing House was incorporated in 1960 under the laws of the State of California. The community includes 173 apartments, 39 assisted living beds, and 26 skilled nursing beds.

In July 2025, Channing House executed a Purchase and Sale Agreement to acquire a 13-unit residential complex located at 430 Forest Avenue in Palo Alto for \$35,000,000. The organization plans to convert the property into entrance-fee residential living accommodations. The acquisition was completed in October 2025 through the issuance of bond financing.

Channing House is subject to statutory reserve requirements. At both February 28, 2026 and 2025, Channing House's reserves, as calculated in accordance with the continuing care contract statutes of the California Health and Safety Code, were in excess of such requirements.

Channing House is exempt from property taxes; however, it makes an "in lieu of" payment to the City of Palo Alto based upon the assessed valuation of land, improvements, and unsecured property.

Net asset classifications – The accompanying financial statements have been prepared in accordance with the standards set forth by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, and the guidelines set forth in the industry audit and accounting guide *Health Care Entities* issued by the American Institute of Certified Public Accountants. Under these guidelines, contributions of cash and other assets are classified as one of the following two categories:

Without donor restrictions – Represents unconditional promises to give by donors without any use or time restrictions. The Board of Trustees of Channing House is authorized to spend the principal, income, and appreciation of these funds, as it deems reasonable, in order to further the mission and purpose of Channing House. Board-designated funds consisted of the following at February 28:

	2026	2025
Heritage Circle Fund	\$ 5,513,829	\$ 5,046,507
Total	<u>\$ 5,513,829</u>	<u>\$ 5,046,507</u>

The Heritage Circle Fund (the Fund) is an investment in Channing House's future by residents, trustees, and staff. Each year, grants from the Fund are awarded for projects that enrich and strengthen Channing House in ways that the annual budget may not be able to support. This board-designated fund also serves as a resource for the future and may be utilized to address emergency needs of the community.

Channing House

Notes to Financial Statements

With donor restrictions – Represents unconditional promises to give by donors that specify a specific use or the occurrence of a certain future event. Donor restrictions released in the year received are recorded as contributions without donor restrictions. This category also includes net assets subject to donor-imposed stipulations that they be maintained by the organization in perpetuity. Channing House had no net assets required to be maintained in perpetuity as of February 28, 2026 and 2025. Contribution revenue is recognized in the appropriate net asset classification when the gift is unconditionally promised.

Performance indicator – “Net loss,” as reflected in the accompanying statements of activities and changes in net deficit, is the performance indicator. The performance indicator reflects Channing House’s operational performance excluding net unrealized gain on investments other than trading securities, change in pension obligation, receipt of restricted donations, and income earned from investments with donor restrictions.

Cash and cash equivalents – Channing House considers all highly liquid investments purchased with an original maturity of 90 days or less to be cash equivalents. Cash equivalents include cash designated for specific projects.

Concentration of credit risk – Financial instruments potentially subjecting Channing House to concentrations of credit risk consist primarily of bank demand deposits in excess of the Federal Deposit Insurance Corporation insurance thresholds and cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds. Demand deposits are placed with local financial institutions, and management has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the financial statements. The risk associated with the investments is mitigated through diversification.

Accounts receivable – Channing House extends credit to its residents for the payment of the monthly care fees, as each resident is directly responsible to pay Channing House. Management estimates an allowance for credit losses based on prior experience, estimated future credit losses, and analysis of the collectability of specific accounts. As of February 28, 2026 and 2025, no allowance for credit losses was deemed necessary.

The following table provides information about Channing House’s receivables pursuant to ASC 606-10-50-11:

	February 28, 2026	February 28, 2025	February 29, 2024
Accounts receivable, net	\$ 137,102	\$ 85,741	\$ 101,216
Total	<u>\$ 137,102</u>	<u>\$ 85,741</u>	<u>\$ 101,216</u>

Inventory – Inventory is stated at the lower of cost, which is determined on the first-in, first-out method of accounting, or net realizable value. Inventory consisted of dining and gift shop supplies as of February 28, 2026 and 2025.

Channing House

Notes to Financial Statements

Investments – Investments are carried at fair value based on quoted market prices. The cost of investments sold is determined on an average cost basis. Investment income or loss and unrealized gains or losses are included in the statements of activities and changes in net deficit as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Assets limited as to use – Assets limited as to use consist of investments that are restricted in their use by regulatory or other agreements. These accounts are money market mutual funds and escrow funds in U.S. government securities, which were established pursuant to the trust agreement executed in connection with the issuance of the Series 2017 and 2025 Revenue Bonds (see Note 4). Assets limited as to use are carried at fair value based on quoted market prices. Assets limited as to use, current, represents amounts that will fund current debt service liabilities.

Property and equipment, net – Property and equipment are stated at cost. The cost basis includes any interest, finance charges, and other related costs capitalized during construction. Depreciation is based upon the straight-line method over the estimated useful lives of the various classes of property, which range from 3 to 50 years. Channing House records assets acquired by donation at the estimated fair market value at the date of donation.

Asset impairment – Channing House periodically evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No impairment charges were recognized for the years ended February 28, 2026 and 2025.

Bond issuance costs – Channing House recognizes financing costs incurred in connection with the issuance of bonds payable as a direct reduction of the related debt. Bond issuance costs are amortized over the term of the related debt using the straight-line method. Unamortized bond issuance costs amounted to \$7,317,730 and \$4,517,722 at February 28, 2026 and 2025, respectively. Amortization expense of \$272,052 and \$237,453 is included in interest expense for the years ended February 28, 2026 and 2025, respectively.

Resident entrance fees – Upon entering Channing House, residents pay an entrance fee, which varies by resident depending upon the size and location of the apartment. Monthly care fees also vary based on apartment size and location. Residents are provided housing, meals, and nursing care while living in Channing House.

Channing House offers a nonrefundable contract, whereby a decreasing portion of the entrance fee is repayable by cancellation or termination of the care agreement during the first six years of occupancy, subject to a 10% minimum retention by Channing House. Nonrefundable resident entrance fees are recorded as deferred revenue and are amortized on a reasonable basis over the actuarially determined life expectancy of the resident, or the contract term, if shorter.

Channing House also offers a refundable contract, whereby 80% of the entrance fee is repaid after move-out or termination of the contract, upon re-occupancy of the apartment. Refundable contract fees repayable upon re-occupancy are recorded as a liability in the statements of financial position.

Channing House

Notes to Financial Statements

Income taxes – Channing House has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. Channing House has adopted the provisions of ASC Topic 740, *Income Taxes*, relating to accounting for uncertain tax positions. Channing House had no unrecognized tax benefits at February 28, 2026 and 2025. Channing House files federal and California exempt organization returns.

Revenue recognition – Revenue is recognized at the amount that reflects the consideration to which Channing House expects to be entitled to in exchange for the services provided. Channing House accounts for its revenue recognition under ASC 606, *Revenue from Contracts with Customers*.

Monthly care fees – Under resident agreements, Channing House provides senior living services to residents for a stated monthly fee. Revenue is recognized on a monthly basis as the performance obligations are satisfied. The following represents monthly care fees revenue by line of service for the years ended February 28, 2026 and 2025:

	2026	2025
Independent living	\$ 17,771,086	\$ 17,020,166
Assisted living	2,383,610	2,144,461
Skilled nursing	891,046	937,086
Direct admit	1,384,183	1,196,300
	<u>12,430,925</u>	<u>11,298,013</u>
Monthly care fees revenue	<u>\$ 22,429,925</u>	<u>\$ 21,298,013</u>

Resident entrance fees earned – Channing House receives an upfront entrance fee when the resident agreement is signed. In exchange for this fixed entrance fee and the monthly care fees, the resident has the right to occupy a unit. The resident agreement creates a performance obligation to be satisfied over the resident's remaining life at Channing House. Revenue associated with the entrance fee is recognized using a reasonable method over the actuarially determined estimated life of the resident. Resident life expectancies are reevaluated annually, and any changes in the revenue as a result of that reevaluation will be recognized in the period noted. The associated performance obligation is satisfied upon termination of the residency agreement. See Note 9 for changes in deferred revenue from entrance fees.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such management estimates include fair value of investments, future service obligation, depreciation, deferred revenue from entrance fees, and pension costs. Actual results could differ from those estimates.

Fair value of financial instruments – Unless otherwise indicated, the fair values of all reported assets and liabilities that represent financial instruments approximate their carrying values. Channing House's policy is to recognize transfers in and transfers out of Level 1 and Level 2 as of the end of the reporting period. Refer to Note 8 for fair value hierarchy disclosures of investments.

Channing House

Notes to Financial Statements

Note 2 – Investments and Assets Limited as to Use

Investments and assets limited as to use, at fair value, consisted of the following at February 28:

	<u>2026</u>	<u>2025</u>
Investments		
Money market mutual funds	\$ 870,974	\$ 3,637,840
Fixed-income mutual funds	18,706,740	17,108,370
Equity mutual funds	<u>13,456,980</u>	<u>10,973,586</u>
Total investments	<u>33,034,694</u>	<u>31,719,796</u>
Assets limited as to use		
Money market mutual funds	8,966,570	4,675,771
U.S. government securities	<u>3,106,735</u>	<u>5,250,867</u>
Total assets limited as to use	<u>12,073,305</u>	<u>9,926,638</u>
Total investments and assets limited as to use	<u><u>\$ 45,107,999</u></u>	<u><u>\$ 41,646,434</u></u>

Assets limited as to use were established pursuant to the trust agreement executed in connection with the issuance of the Series 2017 and Series 2025 Revenue Bonds (see Note 4). Assets limited as to use consisted of the following at February 28:

	<u>2026</u>	<u>2025</u>
Reserve account	\$ 4,835,575	\$ 3,295,765
Principal and interest account	2,693,595	2,836,789
Project fund	3,470,254	3,556,451
Revenue fund	<u>1,073,881</u>	<u>237,633</u>
Total assets limited as to use	<u><u>\$ 12,073,305</u></u>	<u><u>\$ 9,926,638</u></u>

Additional disclosures about fair value measurements are included in Note 8.

Channing House

Notes to Financial Statements

Note 3 – Property and Equipment, Net

Property and equipment consisted of the following at February 28:

	2026	2025
Land and improvements	\$ 10,012,111	\$ 936,951
Building and improvements	203,021,345	172,861,391
Equipment and furnishings	13,522,792	11,990,010
Construction in progress	1,068,545	3,815,305
Total	227,624,793	189,603,657
Less accumulated depreciation	(83,371,165)	(76,002,340)
Property and equipment, net	<u>\$ 144,253,628</u>	<u>\$ 113,601,317</u>

Depreciation expense was \$7,368,825 and \$7,013,374 for the years ended February 28, 2026 and 2025, respectively.

Note 4 – Bonds Payable, Net

Bonds payable, net, consisted of the following at February 28:

	2026	2025
Series 2017A bonds	\$ 44,615,000	\$ 46,670,000
Series 2017B bonds	43,280,000	43,510,000
Series 2025A bonds	18,045,000	-
Series 2025B bonds	18,075,000	-
Total	124,015,000	90,180,000
Less current maturities of bonds payable	(2,400,000)	(2,285,000)
Add unamortized bond premium – Series 2017A	2,690,880	2,880,824
Add unamortized bond premium – Series 2017B	4,585,649	4,797,294
Less unamortized debt issuance costs – Series 2017A	(1,661,804)	(1,778,423)
Less unamortized debt issuance costs – Series 2017B	(2,618,465)	(2,739,299)
Less unamortized debt issuance costs – Series 2025	(3,037,462)	-
Bonds payable, net	<u>\$ 121,573,798</u>	<u>\$ 91,055,396</u>

In April 2017, the California Municipal Finance Authority issued \$54,045,000 of Insured Revenue and Refunding Bond Series 2017A at a premium of \$4,368,722 and bearing interest at an average coupon rate of 4.31%. The bonds are subject to redemptions, as scheduled, prior to final maturity in May 2040.

Channing House

Notes to Financial Statements

In October 2017, the California Municipal Finance Authority issued \$44,120,000 of Insured Revenue Bonds Series 2017B. The bonds were issued at a premium of \$6,349,360 and bear interest at an average coupon rate of 5.00%. The bonds are subject to redemptions, as scheduled, prior to final maturity in May 2047.

In October 2025, the California Municipal Finance Authority issued \$36,120,000 of Insured Revenue Bonds Series 2025 (Series 2025 Bonds). The Series 2025A Bonds are payable with maturity dates through 2036 to 2055 in annual principal installment with interest rates ranging from 5.43% to 6.15%. The Series 2025B Bonds will be redeemed using initial entrance fees and are subject to optional redemption on or after May 15, 2026, with a stated maturity date of May 15, 2030 and an interest rate of 4.51%. The actual timing of the extraordinary redemption of the Series 2025B bonds may differ from the assumed timing because of timing differences in the receipt of initial entrance fees.

Proceeds from the Series 2025 Bonds, together with other available funds, are for the purpose of financing all or a portion of the acquisition, construction, installation, improvement, furnishing, and equipping of an expansion project at Channing House's existing life plan community, including establishing a bond reserve account and paying issuance costs.

The Series 2017 and 2025 Revenue Bonds are subject to certain financial performance covenants. Also, under the terms of the Amended and Restated Regulatory Agreement, Channing House is required to maintain certain deposits with a trustee. Management believes Channing House was in compliance with its covenants as of and for the year ended February 28, 2026. The Series 2017 and 2025 Revenue Bonds are collateralized by current and future gross revenues of Channing House and real property.

Maturities of the Series 2017 and Series 2025 Revenue Bonds during each of the next five years and thereafter are as follows:

<u>Years Ending</u>	<u>Payment</u>
February 28, 2027	\$ 2,400,000
February 29, 2028	2,520,000
February 28, 2029	2,900,000
February 28, 2030	3,025,000
February 28, 2031	21,230,000
Thereafter	91,940,000
Total maturities	<u><u>\$ 124,015,000</u></u>

Note 5 – Pension Plan

Channing House has a noncontributory defined benefit pension plan (the "Plan"), which covers all employees having completed one year of service and having attained the age of 21 as of December 31, 2001. Benefits are computed by a formula based upon years of service and the employee's average compensation over the final five years of employment, subject to a minimum benefit. The Plan was frozen on December 31, 2001.

Channing House

Notes to Financial Statements

The broad-based investment goals of the Plan are to: (1) at a minimum, preserve the inflation-adjusted value of the pension assets after administrative costs and benefit payments; (2) prudently invest assets in a high-quality, diversified manner; (3) achieve the optimal return possible within the specified risk parameters; (4) achieve the actuarial earnings assumptions; and (5) adhere to the established guidelines.

The following table presents the changes in the benefit obligations, fair value of assets, and funded status of the Plan as of February 28:

	2026	2025
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 880,031	\$ 910,677
Service cost	11,000	12,000
Interest cost	45,707	46,758
Actuarial liability loss	48,425	14,802
Expenses and benefits paid	<u>(109,242)</u>	<u>(104,206)</u>
Benefit obligation at end of year	<u>875,921</u>	<u>880,031</u>
Change in plan assets		
Plan assets at beginning of year	722,570	773,833
Actual return	39,459	35,823
Employer contributions	27,468	17,120
Expenses and benefits paid	<u>(109,242)</u>	<u>(104,206)</u>
Plan assets at end of year	<u>680,255</u>	<u>722,570</u>
Funded status	(195,666)	(157,461)
Total recognized in accumulated net deficit without donor restrictions	<u>419,134</u>	<u>408,904</u>
Prepaid pension cost	<u>\$ 223,468</u>	<u>\$ 251,443</u>

Channing House

Notes to Financial Statements

The components of net periodic benefit cost and other changes in Plan assets and benefit obligations include the following for the years ended February 28, 2026 and 2025:

	2026	2025
Service cost	\$ 11,000	\$ 12,000
Interest cost	45,707	46,758
Expected return on asset	(33,677)	(36,049)
Amortization of net loss during the year	32,414	35,641
Net periodic pension cost	55,444	58,350
Other changes in plan assets and benefit obligations recognized in net deficit without donor restrictions		
Net actuarial loss (gain)	10,230	(20,613)
Total recognized in net periodic pension cost and net deficit without donor restrictions	<u>\$ 65,674</u>	<u>\$ 37,737</u>

The components of net periodic pension benefit cost (other than service cost) are included in the net decrease in net deficit without donor restriction on the statements of activities and changes in net deficit, under "other components of net periodic pension cost."

The following weighted-average assumptions were used to determine the Plan's benefit obligation and net periodic pension expense at February 28:

	2026	2025
Discount rate – plan obligation	5.1%	5.2%
Discount rate – net periodic pension cost	5.2%	5.3%
Expected return on plan assets	5.0%	5.0%

Plan assets – The fair values of Channing House's pension plan assets by asset category are as follows at February 28, 2026 and 2025, pursuant to ASC Topic 820, as more fully described in Note 8:

	Total 2026	Level 1	Level 2	Level 3
Investment contract with insurance company	\$ 672,913	\$ -	\$ -	\$ 672,913
Money market funds	7,342	-	7,342	-
Total investments	<u>\$ 680,255</u>	<u>\$ -</u>	<u>\$ 7,342</u>	<u>\$ 672,913</u>
	Total 2025	Level 1	Level 2	Level 3
Investment contract with insurance company	\$ 715,186	\$ -	\$ -	\$ 715,186
Money market funds	7,384	-	7,384	-
Total investments	<u>\$ 722,570</u>	<u>\$ -</u>	<u>\$ 7,384</u>	<u>\$ 715,186</u>

Channing House

Notes to Financial Statements

The investment contract with insurance company is valued at contract value as estimated by the pension plan administrator. Contract value approximates fair value.

The composition of Plan assets was as follows at February 28:

	<u>2026</u>	<u>2025</u>
Insurance contract with insurance company	99%	99%
Money market funds	<u>1%</u>	<u>1%</u>
Total	<u>100%</u>	<u>100%</u>

The following table reconciles the beginning and ending balances of recurring fair value measurements recognized in the accompanying financial statements using significant unobservable (Level 3) inputs:

	<u>2026</u>	<u>2025</u>
Investment contract with insurance company, beginning	\$ 715,186	\$ 765,406
Actual return on plan assets		
Relating to assets still held at the reporting date	(72,283)	(82,496)
Purchases, sales, and settlements	<u>30,010</u>	<u>32,276</u>
Investment contract with insurance company, ending	<u>\$ 672,913</u>	<u>\$ 715,186</u>

Estimated future benefit payments – Expected benefits to be paid in the next 10 years as calculated by consulting the actuary are:

<u>Fiscal Year</u>	<u>Expected Payment</u>
2027	\$ 101,000
2028	\$ 101,000
2029	\$ 92,000
2030	\$ 84,000
2031	\$ 77,000
2032–2036	\$ 302,000

Plan amendment – At December 31, 2001, the Board of Trustees approved changes to the defined benefit pension plan that effectively froze the Plan. No new participants are permitted into the Plan and no future benefits will accrue for participants in the Plan on or before December 31, 2001.

Defined contribution plan – Effective January 1, 2002, Channing House established a 403(b) plan for substantially all employees. Participants may contribute a percentage of compensation up to the maximum permitted by the IRC. Employer contributions and costs are based on a percentage of covered employees' salaries. Employer contributions were \$206,930 and \$388,867 for the years ended February 28, 2026 and 2025, respectively.

Channing House

Notes to Financial Statements

Deferred compensation plan – Effective November 1, 2008, Channing House established a 457(b) plan for key management staff. This plan is intended to constitute an unfunded, eligible deferred compensation plan as described in IRC Section 457(b). This deferred compensation plan calls for discretionary contributions as approved each year by the Board of Trustees. Participants may contribute a percentage of compensation up to the maximum permitted by the IRC. Employer contributions were \$73,541 and \$66,869 for the years ended February 28, 2026 and 2025, respectively.

Note 6 – Future Service Obligation

Channing House is obligated to provide its residents continuous care throughout the residents' stays at the community. Management's estimate of the liability for "future service obligation" represents the excess of the discounted net care expenses over the deferred revenue from entrance fees. The obligation is discounted at 5.5% for both February 28, 2026 and 2025. The obligation was zero as of both February 28, 2026 and 2025.

Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at February 28:

	2026	2025
Resident assistance	\$ 389,251	\$ 376,422
Scholarship	114,852	104,741
Total	<u>\$ 504,103</u>	<u>\$ 481,163</u>

Note 8 – Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurement*, defines fair value as 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. Topic 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value per share (or its equivalent) with the ability to redeem the investments in the near term.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Channing House

Notes to Financial Statements

Following is a description of the valuation methodology used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Investments and assets limited as to use – Fair values, which are the amounts reported in the statements of financial position, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

The following table presents the fair value measurements of investments recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the Topic 820 fair value hierarchy in which the fair value measurements fell at February 28:

2026				
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets measured at fair value on a recurring basis ⁽¹⁾				
Investments ⁽²⁾				
Money market mutual funds	\$ 870,974	\$ 870,974	\$ -	\$ -
Fixed-income mutual funds	18,706,740	18,706,740	-	-
Equity mutual funds	13,456,980	13,456,980	-	-
Assets limited as to use ⁽¹⁾				
Money market mutual funds	8,966,570	8,966,570	-	-
U.S. government securities	3,106,735	-	3,106,735	-
Total	\$ 45,107,999	\$ 42,001,264	\$ 3,106,735	\$ -
2025				
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets measured at fair value on a recurring basis ⁽¹⁾				
Investments ⁽²⁾				
Money market mutual funds	\$ 3,637,840	\$ 3,637,840	\$ -	\$ -
Fixed-income mutual funds	17,108,370	17,108,370	-	-
Equity mutual funds	10,973,586	10,973,586	-	-
Assets limited as to use ⁽¹⁾				
Money market mutual funds	4,675,771	4,675,771	-	-
U.S. government securities	5,250,867	-	5,250,867	-
Total	\$ 41,646,434	\$ 36,395,567	\$ 5,250,867	\$ -

⁽¹⁾ For cash and cash equivalents and assets limited to use, the net carrying value approximates fair value at year-end.

Channing House

Notes to Financial Statements

(2) The fair values of investments that are included in the accompanying statements of financial position are determined based on quoted market prices in active markets. Investments consist of cash equivalents, equity mutual funds, and fixed-income mutual funds as detailed in Note 2.

As required by Topic 820, the investments are classified within the level of the lowest significant input considered in determining fair value.

Considerable judgment is required to develop estimates of fair value, and the estimates presented are not necessarily indicative of the amounts that Channing House would realize in a current market exchange. The use of different market assumptions and/or estimation methods could have a material effect on the estimated fair values. The estimates presented are based on pertinent information available to management as of February 28, 2026 and 2025. Current estimates of fair value may differ significantly from the amounts presented.

Note 9 – Deferred Revenue from Entrance Fees

Changes in deferred revenue from entrance fees are as follows for the years ended February 28:

	2026	2025
Balance, beginning of year	\$ 57,546,504	\$ 55,075,639
New entrance fees received	12,438,625	11,212,475
Refundable portion of new entrance fees	(3,414,900)	(3,194,796)
Amortization of fees	(7,683,962)	(5,546,814)
Balance, end of year	<u>\$ 58,886,267</u>	<u>\$ 57,546,504</u>

Note 10 – Health and Safety Code Section 1790(a)(3) Disclosure

The Board of Trustees of Channing House recognizes and plans for future capital expenditures of the community. These improvements are necessary and consistent with Channing House's tax-exempt purpose to maintain and provide facilities essential to meet the housing, nursing care, and other needs of its senior residents.

Improvements include the following for the years ended February 28, 2026 and 2025, respectively:

a) technology improvements of \$330,998 and \$458,420; b) building systems and equipment and furnishing improvements of \$4,174,848 and \$660,646; and c) apartment renovations of \$841,388 and \$521,624.

In order to maintain and improve safety, comfort, and marketability of Channing House, in fiscal year 2018, the Board of Trustees issued \$44,120,000 of Series 2017B Insured Revenue Bonds. Consistent with Channing House's nonprofit status, these bonds were used in the following manner: a) \$603,083 and \$1,993,879 was withdrawn for construction costs for the years ended February 28, 2026 and 2025, respectively; b) the Bond Reserve Account was maintained with a balance of \$1,206,070 and \$1,212,591 as of February 28, 2026 and 2025, respectively; and c) the Interest Fund was maintained with a balance of \$368,260 and \$572,960 as of February 28, 2026 and 2025, respectively.

Channing House

Notes to Financial Statements

In fiscal year 2026, the Board of Trustees issued \$36,120,000 of Series 2025 Bonds, for which the majority of the funds were spent on acquiring the land and building for the satellite community. Initial renovations for the building are planned and will be funded by the Project Fund which has a balance of \$377,741 as of February 28, 2026. The Bond Reserve Account was maintained with a balance of \$1,493,804 and the Interest Fund was maintained with a balance of \$369,182 as of February 28, 2026.

Note 11 – Contingencies

Litigation – Channing House is party to claims and legal actions in the normal course of business. In the opinion of management, and based on current facts and circumstances, the resolution of such matters is not expected to have a material adverse effect on the financial position of Channing House.

Malpractice insurance coverage – Channing House is covered for malpractice insurance under an occurrence basis policy with coverage of \$5,000,000 for each occurrence. Accounting principles generally accepted in the United States of America require that a healthcare organization disclose the estimated costs of claims in the period of the incident if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated. Management is unable to reasonably estimate the range of future costs, if any, of unasserted claims arising from incidents in current and prior periods. Management believes that any unreported liability will not have a material adverse effect on Channing House's financial position or results of operations.

Note 12 – Natural and Functional Expenses

Channing House provides health services, dining services, and residential services. The financial statements report certain expense categories that are attributable to more than one service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function include depreciation and utilities, which are allocated to a function based on square footage, and interest, which is allocated to a function based on a units-of-service basis. Expenses related to providing these services for the years ended February 28, 2026 and 2025, are as follows:

	Year Ended February 28, 2026				
	Program Services			Support Services	
	Health Services	Dining Services	Residential Services	General & Admin	Total Expenses
Salaries and benefits	\$ 5,752,233	\$ 3,975,451	\$ 2,137,037	\$ 3,555,191	\$ 15,419,912
Purchased services	480,245	287,312	967,716	3,078,895	4,814,168
Supplies	116,587	1,388,217	96,793	26,757	1,628,354
Utilities	183,041	140,801	1,013,766	70,400	1,408,008
Depreciation	1,406,946	685,273	4,933,968	342,638	7,368,825
Interest	898,244	437,502	3,150,018	218,752	4,704,516
Other operating expenses	275	29,625	24,727	80,714	135,341
Total expenses	<u>\$ 8,837,571</u>	<u>\$ 6,944,181</u>	<u>\$ 12,324,025</u>	<u>\$ 7,373,347</u>	<u>\$ 35,479,124</u>

Channing House

Notes to Financial Statements

	Year Ended February 28, 2025				
	Program Services			Support Services	
	Health Services	Dining Services	Residential Services	General & Admin	Total Expenses
Salaries and benefits	\$ 5,542,507	\$ 3,632,978	\$ 1,797,385	\$ 2,793,193	\$ 13,766,063
Purchased services	392,067	227,351	1,604,332	2,746,735	4,970,485
Supplies	129,646	1,317,929	99,936	40,455	1,587,966
Utilities	165,245	127,111	915,201	63,556	1,271,113
Depreciation	1,339,079	652,217	4,695,967	326,111	7,013,374
Interest	772,610	376,311	2,709,437	188,156	4,046,514
Other operating expenses	-	29,915	34,587	36,624	101,126
Total expenses	<u>\$ 8,341,154</u>	<u>\$ 6,363,812</u>	<u>\$ 11,856,845</u>	<u>\$ 6,194,830</u>	<u>\$ 32,756,641</u>

Note 13 – Liquidity and Availability

As of February 28, 2026 and 2025, Channing House had working capital of \$32,227,296 and \$29,431,914, respectively. Financial assets available for general expenditure within one year of the statement of financial position date consisted of the following as of February 28:

	2026	2025
Cash and cash equivalents	\$ 1,216,072	\$ 442,278
Accounts receivable, net	137,102	85,741
Investments	<u>33,034,694</u>	<u>31,719,796</u>
Subtotal financial assets	34,387,868	32,247,815
Less net assets with donor restrictions	<u>(504,103)</u>	<u>(481,163)</u>
Total financial assets available for general expenditure	<u>\$ 33,883,765</u>	<u>\$ 31,766,652</u>

Channing House has certain board-designated investments, which could be made available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. As part of Channing House's liquidity management plan, cash in excess of daily requirements is invested in accordance with its investment policy.

Note 14 – Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Channing House recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. Channing House's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements were issued.

Channing House
Notes to Financial Statements

Channing House has evaluated subsequent events through June 17, 2026, which is the date the financial statements were issued.

Report of Independent Auditors and
Continuing Care Liquid Reserve Reports with
Supplementary Schedules

Channing House

February 28, 2026

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Report of Independent Auditors

The Board of Trustees
Channing House

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Channing House, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended February 28, 2026, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, of Channing House as of and for the year ended February 28, 2026, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis for Opinion

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

Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by Channing House on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these 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 these 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 Channing House'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 Channing House's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplementary Schedule to Form 5-4 – Required Disclosure Under Section 1790(a)(2); Supplementary Schedule to Form 5-4 – Reconciliation to Audit Report; and Supplementary Schedule to Form 5-5 – Reconciliation to Audit Report, presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

This report is intended solely for the information and use of the board of trustees and management of Channing House and the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly US, LLP

San Francisco, California

June 17, 2026

Continuing Care Liquid Reserve Schedules and Notes

Channing House
Form 5-1 – Long-Term Debt Incurred in a Prior Fiscal Year (Including Balloon Debt)
For the Year Ended February 28, 2026

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	04/18/17	\$2,055,000	\$1,971,525	\$0	\$4,026,525
2	10/25/17	\$230,000	\$2,163,875	\$0	\$2,393,875
3					\$0
4					\$0
5					\$0
6					\$0
TOTAL:		\$2,285,000	\$4,135,400	\$0	\$6,420,400

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

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

PROVIDER: Channing House

Channing House
Form 5-2 – Long-Term Debt Incurred During Fiscal Year (Including Balloon Debt)
For the Year Ended February 28, 2026

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over Next 12 Months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1	10/16/25	\$0	\$1,105,105	2	\$2,210,210
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$0	\$1,105,105	2	\$2,210,210

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

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

PROVIDER:

Channing House

Channing House
Form 5-3 – Calculation of Long-Term Debt Reserve Amount
For the Year Ended February 28, 2026

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	<u>\$6,420,400</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$2,210,210</u>
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	<u>\$0</u>
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	<u><u>\$8,630,610</u></u>

PROVIDER: Channing House

Channing House
Form 5-4 – Calculation of Net Operating Expenses
For The Year Ended February 28, 2026

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$35,479,124</u>
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	<u>\$4,135,400</u>	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$0</u>	
c.	Depreciation	<u>\$7,368,825</u>	
d.	Amortization	<u>(\$129,538)</u>	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$1,329,971</u>	
f.	Extraordinary expenses approved by the Department	<u>\$0</u>	
3	Total deductions		<u>\$12,704,658</u>
4	Net operating expenses		<u>\$22,774,466</u>
5	Divide line 4 by 365 and enter the result.		<u>\$62,396</u>
6	Multiply line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$4,679,700</u></u>

PROVIDER: Channing House

Channing House
Form 5-5 – Annual Reserve Certification
For the Year Ended February 28, 2026

Provider Name: Channing House

Fiscal Year Ended: 2/28/2026

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 2/28/2026 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	<u>\$8,630,610</u>
[2] Operating Expense Reserve Amount	<u>\$4,679,700</u>
[3] Total Liquid Reserve Amount:	<u>\$13,310,310</u>

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

<u>Qualifying Asset Description</u>	<u>Amount</u> (market value at end of quarter)	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$8,966,570</u>	<u>\$2,087,046</u>
[5] Investment Securities	<u>\$3,106,735</u>	<u>\$0</u>
[6] Equity Securities	<u>\$0</u>	<u>\$32,163,720</u>
[7] Unused/Available Lines of Credit	<u>\$0</u>	<u>\$0</u>
[8] Unused/Available Letters of Credit	<u>\$0</u>	<u>\$0</u>
[9] Debt Service Reserve	<u>\$0</u>	(not applicable)
[10] Other:	<u>\$0</u>	<u>\$0</u>
<u>(describe qualifying asset)</u>		
Total Amount of Qualifying Assets Listed for Reserve Obligation:	[11] <u>\$12,073,305</u>	[12] <u>\$34,250,766</u>
Reserve Obligation Amount:	[13] <u>\$8,630,610</u>	[14] <u>\$4,679,700</u>
Surplus/(Deficiency):	[15] <u>\$3,442,695</u>	[16] <u>\$29,571,066</u>

Signature: _____

(Authorized Representative)

Date: June 17, 2026

Executive Director _____

(Title)

Channing House

Notes to Reserve Reports

Note 1 – Basis of Accounting

The accompanying reserve reports have been prepared in accordance with the provisions of Health and Safety Code Section 1792 administered by the State of California Department of Social Services and are not intended to be a complete presentation of Channing House's assets, liabilities, revenues, and expenses.

Note 2 – Long-Term Debt

On October 16, 2025, Channing House issued Series 2025 Revenue Bonds ("Series 2025 Bonds") with principal and interest due monthly. The bonds have interest rates ranging from 4.51% to 6.15% and mature in 2055. Channing House received total proceeds of \$36,120,000 from the Series 2025 Bonds, which are to be used to finance all or a portion of the acquisition, construction, installation, improvement, furnishing, and equipping of an expansion project at a Channing House existing life plan community.

The amount of the most recent payment on the debt of \$1,105,105 included on Form 5-2 represents the interest payment on the Series 2025 Bonds that is due on May 15, 2026.

Supplementary Schedules

Channing House
Supplementary Schedule to Form 5-4
Required Disclosure Under Section 1790(a)(2)
For the Year Ended February 28, 2026

Total operating expenses (Form 5-4, Line 1)	\$ 35,479,124
Mean number of all residents (Form 1-1, Line 10)	<u>243</u>
Per capita cost of operations	<u><u>\$ 146,005</u></u>

Channing House
Supplementary Schedules to Form 5-4
Reconciliation to Audit Report
For the Year Ended February 28, 2026

#2d AMORTIZATION

Amortization of bond issuance costs per audited financials	\$ 272,052
Amortization of bond premium, net of discount per audited financials	<u>(401,590)</u>
 Total amortization - Form 5-4 line 2d	 <u><u>\$ (129,538)</u></u>

**#2e REVENUES RECEIVED DURING THE YEAR FOR SERVICES TO
PERSONS WHO DID NOT HAVE A CONTINUING CARE CONTRACT**

Cash received from monthly care fees	\$ 22,378,564
Less revenues received from persons who did have a continuing care contract	<u>(21,048,593)</u>
 Form 5-4 line 2e	 <u><u>\$ 1,329,971</u></u>

Channing House
Supplementary Schedule to Form 5-5
Reconciliation to Audit Report
For the Year Ended February 28, 2026

<u>Financial Statements and Footnote Description</u>		<u>Qualifying Asset Description (Form 5-5)</u>
Cash and cash equivalents	\$ 1,216,072	Cash and cash equivalents
Investments - fixed-income mutual funds	18,706,740	Equity securities
Investments - equity mutual funds	13,456,980	Equity securities
Investments - money market mutual funds	<u>870,974</u>	Cash and cash equivalents
Total amount of qualifying assets as filed for operating reserve	<u>\$ 34,250,766</u>	Operating reserve
Assets limited as to use - money market mutual funds	\$ 8,966,570	Cash and cash equivalents
Assets limited as to use - U.S. government securities	<u>3,106,735</u>	U.S. government securities
Total amount of qualifying assets as filed for debt service reserve	<u>\$ 12,073,305</u>	Debt service reserve
 <u>Reconciliation to Audited Financial Statements</u>		
Cash and cash equivalents	\$ 1,216,072	
Investments	33,034,694	
Assets limited as to use, current	4,496,162	
Assets limited as to use, net of current portion	<u>7,577,143</u>	
	<u>\$ 46,324,071</u>	
Total amount of qualifying assets as filed for operating reserve	\$ 34,250,766	
Total amount of qualifying assets as filed for debt service reserve	<u>12,073,305</u>	
	<u>\$ 46,324,071</u>	

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**Continuing Care Retirement Community
Disclosure Statement
General Information**

Date Prepared: 6/20/26

FACILITY NAME: Channing House

ADDRESS: 850 Webster Street

ZIP CODE: 94301

PHONE: 650-327-0950

PROVIDER NAME: Channing House

FACILITY OPERATOR: Channing House

RELATED FACILITIES: none

RELIGIOUS AFFILIATION: none

YEAR # OF ☐ SINGLE ☒ MULTI-

MILES TO SHOPPING CTR: 0.5

OPENED: 1964 ACRES: 1 STORY STORY ☐ OTHER: _____

MILES TO HOSPITAL: 3.0

NUMBER OF UNITS:

RESIDENTIAL LIVING

APARTMENTS — STUDIO: 52

APARTMENTS — 1 BDRM: 82

APARTMENTS — 2 BDRM: 38

COTTAGES/HOUSES: _____

RLU OCCUPANCY (%) AT YEAR END: 97%

HEALTH CARE

ASSISTED LIVING: 40

SKILLED NURSING: 26

SPECIAL CARE: 0

DESCRIPTION: >

> Health Center Occupancy (%) at Year End = 71%

TYPE OF OWNERSHIP: ☒ NOT-FOR-PROFIT ☐ FOR-PROFIT

ACCREDITED?: ☐ YES ☐ NO BY: _____

FORM OF CONTRACT:

☒ CONTINUING CARE

☒ LIFE CARE

☐ ENTRANCE FEE

☐ FEE FOR SERVICE

(Check all that apply)

☐ ASSIGNMENT OF ASSETS

☐ EQUITY

☐ MEMBERSHIP

☐ RENTAL

REFUND PROVISIONS: (Check all that apply) ☐ 90% ☐ 75% ☐ 50% ☐ FULLY AMORTIZED ☒ OTHER: 80%

RANGE OF ENTRANCE FEES: \$ 338,000 - \$ 2,608,200

LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: nursing care

ENTRY REQUIREMENTS: MIN. AGE: 62

PRIOR PROFESSION: n/a

OTHER: n/a

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD (briefly describe provider's compliance and residents' role): >
Two residents are voting members of the board. In addition, the President & Vice President

> of the Resident Assoc. attend board meetings. A resident trustee may serve up to three consecutive 3-year terms, and will have all the benefits, duties and responsibilities of any Trustee at Large. Neither the President nor the Vice President of the Res. Assoc. may serve as a Resident Trustee

FACILITY SERVICES AND AMENITIES

<u>COMMON AREA AMENITIES</u>	<u>AVAILABLE</u>	<u>FEE FOR SERVICE</u>	<u>SERVICES AVAILABLE</u>	<u>INCLUDED IN FEE</u>	<u>FOR EXTRA CHARGE</u>
BEAUTY/BARBER SHOP	☒	☒	HOUSEKEEPING (4 TIMES/MONTH)	☒	☐
BILLIARD ROOM	☐	☐	MEALS (1 or 3 /DAY)	☒	☐
BOWLING GREEN	☐	☐	SPECIAL DIETS AVAILABLE	☒	☐
CARD ROOMS	☒	☐			
CHAPEL	☐	☐	24-HOUR EMERGENCY RESPONSE	☒	☐
COFFEE SHOP	☐	☐	ACTIVITIES PROGRAM	☒	☐
CRAFT ROOMS	☒	☐	ALL UTILITIES EXCEPT PHONE	☒	☐
EXERCISE ROOM	☒	☐	APARTMENT MAINTENANCE	☒	☐
GOLF COURSE ACCESS	☐	☐	CABLE TV	☒	☐
LIBRARY	☒	☐	LINENS FURNISHED	☒	☐
PUTTING GREEN	☐	☐	LINENS LAUNDERED	☒	☐
SHUFFLEBOARD	☐	☐	MEDICATION MANAGEMENT	☐	☒
SPA	☐	☐	NURSING/WELLNESS CLINIC	☒	☐
SWIMMING POOL-INDOOR	☒	☐	PERSONAL HOME CARE	☐	☒
SWIMMING POOL-OUTDOOR	☐	☐	TRANSPORTATION-PERSONAL	☒	☒
TENNIS COURT	☐	☐	TRANSPORTATION-PREARRANGED	☒	☒
WORKSHOP	☒	☐	OTHER <u>medical transportation</u>	☒	☐
OTHER _____	☐	☐			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: Channing House

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

n/a

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

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

PROVIDER NAME: Channing House

	2023	2024	2025	2026
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	\$18,361	\$20,716	\$23,447	\$4,669
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	\$19,779	\$20,859	\$21,743	\$23,449
NET INCOME FROM OPERATIONS	(\$1,413)	(\$143)	\$1,704	\$1,220
LESS INTEREST EXPENSE	(\$4,256)	(\$4,154)	(\$4,047)	(\$4,705)
PLUS CONTRIBUTIONS	\$202	\$96	\$199	\$315
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	\$525	(\$170)	\$838	\$1,024
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(\$7,245)	(\$2,401)	(\$573)	(\$921)
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	(\$9,976)	\$10,422	\$11,213	\$12,439

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGATION	DATE OF MATURITY	AMORTIZATION PERIOD
Calif. Municipal Finance Authority	\$46,670,000	4.31%	4/18/2017	5/15/2040	23 years
Calif. Municipal Finance Authority	\$43,510,000	5.00%	10/25/2017	5/15/2047	30 years
see additional document					

FINANCIAL RATIOS *(see next page for ratio formulas)*

	2017 CCAC Medians 50 th Percentile <i>(optional)</i>	2024	2025	2026
DEBT TO ASSET RATIO		0.58	0.56	0.63
OPERATING RATIO		1.22	1.11	1.13
DEBT SERVICE COVERAGE RATIO		1.38	1.71	1.7
DAYS CASH ON HAND RATIO		391	446	445

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

	2023	%	2024	%	2025	%	2026	%
STUDIO	\$3,673 - \$5,926	4.5	\$3,967 - \$6,221	8.0	\$4,205 - \$6,594	6.0	\$4,415 - \$7,200	4.5
ONE BEDROOM	\$5,184 - \$11,572	4.5	\$5,599- \$12,499	8.0	\$5,935 - \$13,248	6.0	\$6,232 - \$14,750	4.5
TWO BEDROOM	\$6,779 - \$12,922	4.5	\$7,321 - \$13,956	8.0	\$7,760 - \$14,882	6.0	\$8,148 - \$15,350	4.5
COTTAGE/HOUSE								
ASSISTED LIVING	\$3,673 - \$12,922	4.5	\$3,967 - \$13,956	8.0	\$4,205 - \$14,882	6.0	\$4,415 - \$15,626	4.5
SKILLED NURSING	\$3,673 - \$12,922	4.5	\$3,967 - \$13,956	8.0	\$4,205- \$14,882	6.0	\$4,415 - \$15,626	4.5
SPECIAL CARE								

COMMENTS FROM PROVIDER: > *all rates are dependent upon date of contract signing and single or double occupancy.
 > _____
 > _____

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash \& Investments} \\ + \text{Unrestricted Non-Current Cash \& Investments} \end{array}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

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

Channing House
Continuing Care Retirement Community
Disclosure Statement
General Information - FY26

Description of Secured Debt (continued)

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
California Municipal Financing Authority	\$ 18,045,000	5.79%	10/16/2025	5/15/2049	24 years
California Municipal Financing Authority	\$ 18,075,000	4.51%	10/16/2025	5/15/2030	5 years

FORM 7-1 REPORT ON CCRC MONTHLY CARE FEES

Complete **Form 7-1** to report the monthly care fee increase (MCFI) for **each** community operated by the Provider. If no adjustments were made during the reporting period for a community, indicate by checking the box below **Line [2]**. Providers must complete a separate Form 7-1 for each of their continuing care retirement communities.

1. On **Line 1**, enter the amount of monthly care fees for each level of care at the *beginning* of the reporting period.
2. On **Line 2**, indicate the percentage(s) of increase in fees implemented during the *reporting* period.
3. On **Line 3**, indicate the date the fee increase was implemented. If more than one (1) increase was implemented, indicate the date(s) for each increase.
4. Check *each* of the appropriate boxes.
5. Provide a detailed explanation for the increase in monthly care fees including the total dollar amount for the community overall and corresponding percentage increase for each level of care in compliance with the Health and Safety Code. The explanation shall set forth the reasons, by department cost centers, for any increase in monthly care fee. It must include if the change in monthly care fees is due to any actual or projected costs related to any other CCRC community or enterprise affiliated with the provider or parent company.

The methodology used to budget future costs should align with one or more of the following factors: "projected costs, prior year per capita costs and economic indicators." Describe the methodology used for single or multiple communities. If there are multiple MCFI percentages, i.e., by level of care, a separate explanation for each MCFI will be required.

Also, if there is a positive result of operations, the provider will need to explain how the funds will be used and/or distributed consistent with disclosures made in the applicable sections of the Continuing Care Contract.

This attachment should include the data used in the Monthly Care Fee Increase meeting presentation provided to residents, which will also include actual results and an explanation of any variances.

NOTE: Providers shall retain all documents related to the development of adjusted fees at their respective communities for a period of at least three years, i.e., budgets, statements of operations, cost reports, used near the end of the prior fiscal year to develop adjustments implemented in the current reporting period. These documents must be available for review upon request by the Department.

FORM 7-1**REPORT ON CCRC MONTHLY CARE FEES**

	RESIDENTIAL LIVING	ASSISTED LIVING	MEMORY CARE	SKILLED NURSING
1. Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	<u>4,205-14,882</u>	<u>4,205-14,882</u>	<u>n/a</u>	<u>4,205-14,882</u>
2. Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4.5%</u>	<u>4.5%</u>	<u>n/a</u>	<u>4.5%</u>
☐ Check here if monthly care fees at this community were <u>not</u> increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)				
3. Indicate the date the fee increase was implemented: <u>March 1, 2025</u> (If more than one (1) increase was implemented, indicate the dates for each increase.)				
4. Check each of the appropriate boxes: ☒ Each fee increase is based on the Provider's projected costs, prior year per capita costs, and economic indicators. ☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation. Date of Notice: <u>Jan. 29, 2025</u> Method of Notice: <u>letter</u> ☒ At least 30 days prior to the increase in fees, the designated representative of the Provider convened a meeting that all residents were invited to attend. Date of Meeting: <u>Jan. 30, 2025</u> ☒ 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 distributed the documents to all residents by [check all that apply]: ☒ Emailed the documents to those residents for whom the provider had email addresses on file ☒ Placed hard copies in resident cubby ☒ Placed hard copies at designated locations ☒ Provided hard copies to residents upon request, and/or ☐ Other: [please describe] _____ ☐ Date of Notice: <u>Jan. 16, 2025</u>				

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

Date of Notice: Jan. 16, 2025

- ☒ The governing body of the Provider, or the designated representative of the Provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

Date of Posting: Jan. 16, 2025 **Location of Posting:** lobby and each resident floor billboard

- ☒ Providers evaluated the effectiveness of consultations during the annual budget planning process at a minimum of every two years by the continuing care retirement community administration. The evaluation, including any policies adopted relating to cooperation with residents was made available to the resident association or its governing body, or, if neither exists, to a committee of residents at least 14 days prior to the next semiannual meeting of residents and the Provider's governing body and posted a copy of that evaluation in a conspicuous location at each facility.

Date of Posting: _____ **Location of Posting:** _____

5. On an attached page, provide a detailed explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code.

PROVIDER: Channing House **COMMUNITY:** Channing House

Channing House
Fiscal Year Ended 2/28/26

Form 7-1: Explanation for Increase in Monthly Service Fees

Channing House's monthly service fees are reviewed and adjusted on an annual basis to ensure both the continued coverage of service expense and long-term financial health. The annual adjustment is calculated through the following process:

1. Review of resident programs and services expected to be offered during the coming fiscal year, including new service initiatives.
2. Revenues are projected on the basis of expected occupancy, anticipated movement within levels of living and the impact of different residency agreements. Additional revenue sources not related to resident service fee income are planned for and considered as well.
3. The budget for operating expenses is developed with input from staff, residents, the Board's Finance Committee and the full Board of Trustees. The budget process begins in September of each year, with the final budget approved in January for a March 1 – February 28 fiscal year. The budget is based on a review of program costs during the previous fiscal year, and the identification of any trends that will affect future costs. Staffing requirements are carefully reviewed for each department. Adjustments are made for any FTE changes, as well as wage and benefit increases across all departments. Staffing costs continue to be the largest and most challenging component of the budget.
4. Supplies, food cost, utilities, housekeeping, maintenance, insurance and other contract pricing for vendors are also studied for potential impacts.
5. The combination of all these factors, as well as the overall inflationary environment in which we operate, represents the total annual expected costs for the coming year. Total expected operating expenses were budgeted at \$22M for FY26.
6. Channing House's current and expected trends are managed with conservatism but also in the pursuit of satisfying specific financial ratio benchmarks. Board policy is to achieve slight operational surplus in accordance with median operating margin ratios as published by the CARF-CCAC Financial Ratios & Trend Analysis publication.
7. Based on the budget analysis described above, an increase in rates of 4.5% was applied for FY26 in order to support all budgeted programs and services. This increase was applied to all units, effective March 1, 2025 for the fiscal year ending February 28, 2026.

**KEY INDICATORS REPORT
CHANNING HOUSE**

Date Prepared: 6/26/23

PS de la Torre
Chief Executive Officer's Signature

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1														
2		Please attach an explanatory memo that summarizes												
3		significant trends or variances in key operational indicators							Projected	Forecast				Preferred
4				2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Trend
5														Indicator
6		OPERATIONAL STATISTICS												
7	1	Average Annual Occupancy by Site %		85.1%	87.0%	90.0%	91.8%	85.3%	87.8%	92.8%	92.8%	92.8%	92.8%	
8														
9														
10		Margin (Profitability) Indicators												
11	2	Net Operating Margin (%)		-13.3%	-14.8%	-10.4%	-1.9%	-1.5%	1.0%	2.2%	3.1%	4.0%	4.9%	
12														
13														
14	3	Net Operating Margin - Adjusted (%)		30.8%	28.8%	28.9%	30.9%	34.2%	62.8%	34.9%	35.6%	36.2%	36.8%	
15														
16														
17		Liquidity Indicators												
18	4	Unrestricted Cash and Investments (\$000)		\$22,809	\$23,410	\$27,250	\$32,162	\$34,251	\$46,944	\$47,464	\$49,044	\$47,850	\$49,335	
19														
20														
21	5	Days Cash on Hand (Unrestricted)		341	348	391	456	451	612	657	655	613	610	
22														
23														
24		Capital Structure Indicators												
25	6	Deferred Revenue from Entrance Fees (\$000)		\$51,734	\$53,763	\$55,076	\$57,547	\$58,886	\$94,386	\$99,105	\$104,061	\$109,264	\$114,727	
26														
27														
28	7	Net annual E/F Proceeds (\$000)		\$10,638	\$10,377	\$10,422	\$10,111	\$12,439	\$41,500	\$11,500	\$12,000	\$12,000	\$12,500	
29														
30														
31	8	Unrestricted Net Assets (\$000)		\$5,739	(\$3,329)	(\$6,479)	(\$8,517)	(\$9,123)	(\$12,104)	(\$12,312)	(\$11,722)	(\$10,123)	(\$7,460)	
32														
33														
34	9	Annual Capital Asset Expenditure (\$000)		\$13,238	\$2,137	\$2,324	\$3,450	\$37,891	\$5,550	\$5,550	\$5,550	\$5,550	\$5,550	
35														
36														
37	10	Annual Debt Service Coverage - Revenue Basis (x)		(0.40)	(0.23)	(0.21)	0.19	0.22	0.23	0.24	0.29	0.38	0.45	
38														
39														
40	11	Annual Debt Service Coverage (x)		1.73	1.39	1.38	1.72	1.67	5.07	1.58	1.69	1.78	1.91	
41														
42														
43	12	Annual Debt Service/Revenue (%)		22.0%	27.0%	24.3%	22.7%	26.3%	24.4%	22.2%	21.2%	20.2%	19.3%	
44														
45														
46	13	Average Annual Effective Interest Rate (%)		3.5%	4.4%	4.4%	4.6%	3.8%	5.9%	6.2%	6.5%	7.0%	7.5%	
47														
48														
49	14	Unrestricted Cash & Investments/Long-Term Debt (%)		23.7%	24.8%	29.5%	35.7%	27.6%	55.8%	61.0%	68.8%	74.1%	85.4%	
50														
51														
52	15	Average Age of Facility (Years)		9	9	10	11	11	11	12	13	13	14	