**ChatGPT said:**

Here’s a breakdown of the relevant GAAP‐practices and what “best practice” looks like in this kind of situation (a CCRC / non‐profit community concerned about sustainability, capital replacement, monthly fees vs non-cash depreciation, etc.).

**What GAAP Actually Requires (Especially for Nonprofits)**

1. **Depreciation as a Non-Cash Expense under Accrual Accounting**
	* Under U.S. GAAP (also applicable to nonprofits), depreciation is required for fixed (tangible) assets that have finite useful lives. The cost of the asset (less salvage value) must be allocated over its useful life in a systematic, rational way. [Rehmann+1](https://www.rehmann.com/resource/faqs-about-depreciating-fixed-assets-under-gaap/?utm_source=chatgpt.com)
	* The matching principle: expenses should be recognized in the periods in which they help generate revenues. Depreciation assures that the cost of long-lived assets is borne in the periods that benefit. [Rehmann+1](https://www.rehmann.com/resource/faqs-about-depreciating-fixed-assets-under-gaap/?utm_source=chatgpt.com)
2. **Capitalization Thresholds & Useful Life / Salvage Values**
	* Organizations must have policies about what constitutes a capital asset vs what is expensed immediately. Usually there’s a threshold (e.g. “any equipment over $1,000 or $5,000 gets capitalized; under that is an expense”). [Community Vision+1](https://communityvisionca.org/depreciation-for-nonprofits/?utm_source=chatgpt.com)
	* Useful life estimates (how many years an asset will be used), salvage value (if any), and method of depreciation (often straight-line for simplicity unless there’s a reason to accelerate) are part of the policy. [Nonprofit Accounting Basics+2Rehmann+2](https://www.nonprofitaccountingbasics.org/accounting-bookkeeping/depreciation?utm_source=chatgpt.com)
3. **Disclosures / Reporting**
	* The financial statements should reflect accumulated depreciation, book value of assets, etc. [Washington State Auditor+1](https://sao.wa.gov/sites/default/files/2024-02/Final_Best-Practices-for-Tracking-Capital-Asset-Information_February-2024.pdf?utm_source=chatgpt.com)
	* Nonprofits often want to show “full cost” of programs, including depreciation, to understand sustainability. [Nonprofit Finance Fund+1](https://nff.org/blog/best-practices-nonprofit-financial-health-part-three-understanding-full-costs?utm_source=chatgpt.com)
4. **Reserves / Replacement Policies (not strictly GAAP, but good governance / best practice)**
	* While GAAP doesn’t force an entity to set aside cash each month/period to *fund* replacement, it requires recognizing the cost (via depreciation) to reflect asset consumption. But sustainable organizations also need a strategy for *actual cash replacement* when assets wear out.
	* Many nonprofits adopt a **capital replacement or renewal reserve policy**: estimating when major assets will need replacing, and accumulating assets (reserves) or otherwise planning cash flows to meet those needs. [GFOA+2Nonprofit Finance Fund+2](https://www.gfoa.org/materials/strategies-for-establishing-capital-asset-renewal-and?utm_source=chatgpt.com)

**Best Practice for Sustainability / Monthly Fees**

Given the GAAP requirements, how do communities / CCRCs typically handle the tension between non-cash depreciation vs the cash needed to maintain, repair, and eventually replace capital assets? Here are “best practice” elements, drawn from nonprofit and public sector guidance:

| **Component** | **What “best practice” does it include** |
| --- | --- |
| **Full-Cost Budgeting** | Include depreciation (even though non-cash) when budgeting, to see the *true cost* of operations. This helps avoid underfunding future capital needs. Some nonprofits treat depreciation as a budgeting “signal” to plan for replacement. [Community Vision+2Carey & Co+2](https://communityvisionca.org/depreciation-for-nonprofits/?utm_source=chatgpt.com) |
| **Capital Replacement / Renewal Plan** | Maintain an inventory of capital assets, with age, condition, useful life; schedule expected replacements or major overhauls. This might be called a systems replacement plan (SRP) in some nonprofits. [Nonprofit Finance Fund+1](https://nff.org/blog/best-practices-nonprofit-financial-health-part-three-understanding-full-costs?utm_source=chatgpt.com) |
| **Reserve Policy or Set-Aside Funds** | Even if depreciation is a non-cash item, “cash needs” arise when replacement or major repair happens. Best practice is to set aside a portion of operating cash (or have a reserve fund) over time so that large expenditures don’t disrupt operations or debt obligations. Some set a target replacement reserve equal to a % of annual depreciation or cost of future replacement. [GFOA+1](https://www.gfoa.org/materials/strategies-for-establishing-capital-asset-renewal-and?utm_source=chatgpt.com) |
| **Transparent Policies & Communication** | Clear policies about what costs are funded from monthly fees, what is in reserves; and transparency with residents or members about how fees are determined (including capital replacement). Builds trust and helps manage expectations. |
| **Periodic Review of Useful Life / Condition** | Because useful lives may change (due to condition, maintenance, usage, technology). If an asset wears out faster or slower than expected, adjust the replacement plan and reserve amounts. [Federal Reserve+1](https://www.federalreserve.gov/aboutthefed/chapter-3-property-and-equipment.htm?utm_source=chatgpt.com) |

**What GAAP Does *Not* Require (or What is Flexible / Optional)**

* GAAP does *not* require that monthly fees explicitly include depreciation as a line item cost to be funded by those fees. It requires depreciation be shown on income statement, but it doesn’t mandate matching “cash outflows” with depreciation (because often there are none until actual replacement).
* GAAP doesn’t require an organization to accumulate *cash reserves* in the exact amount of depreciation expense each year. The timing of when the replacement cost hits is often uncertain, so best practice is planning and estimation.
* The method of setting reserve levels, or deciding whether external financing will be used, is a governance / management decision, not prescribed by GAAP.

**Suggested “Best Practice” for a Nonprofit CCRC**

Putting this together, for a community like yours, here’s what tends to work well:

1. **Include depreciation in the “full cost” budget.** Even if you don’t use depreciation as part of the monthly fee directly, record it, so you see what your facility assets are costing in terms of wear and tear.
2. **Have a formal replacement plan / capital asset schedule.** Decide: which items (roofs, HVAC, elevators, furniture, technology) will likely need replacement in what year; estimate cost in today’s dollars (and maybe inflate) to know when and how much you’ll need financially.
3. **Establish a Replacement Reserve (or Capital Item Replacement Reserve – CIRR, as in the forum post).** Decide what % of revenue or what fixed amount will be set aside annually toward capital replacement. This should be sustainable and built into your operating plan.
4. **Review capitalization thresholds, useful life estimates, and salvage values periodically**, to ensure assumptions match reality (e.g., condition of your buildings, maintenance schedule, etc.).
5. **Communicate to stakeholders (residents, board) the difference between depreciation (non-cash) and actual cash that must be accumulated.** If monthly fees are not sufficient to build up replacement reserves, there’s risk of deferred maintenance or requiring large fee increases later or special assessments.
6. **Consider smoothing** large upcoming replacements: rather than a sudden large fee spike, plan ahead so that reserves or fees gradually build toward the required cash.

**Bottom Line / How This Ties Back to the Forum Post**

From what was quoted:

* The forum post indicates a debate: depreciation is non-cash, so some argue it should *not* be included in the monthly fee-expense base; others see depreciation as critical for showing when capital assets will need replacement (i.e. for sustainability).
* Best practice under GAAP is to record depreciation (for financial reports) *and* to have a replacement/reserve strategy to raise actual cash to replace assets when needed.
* What one community did: did *not* include depreciation in monthly fee costs; instead they have a Capital Item Replacement Reserve funded by fees or revenue. That is a pragmatic model: you recognize depreciation on the books, but use a reserve or set-aside fund to get the cash when needed.

If you like, I can try to pull examples of CCRCs (nonprofit and for -profit) and compare their monthly fee models, to see how widespread including depreciation (or reserve practice) is. Do you want me to do that?

**You said:**

The concern here is to ensure that revenue is sufficient to cover the maintenance of the facility. It would be more useful to assess how and if most CCRC's are effective in doing this.

**ChatGPT said:**

I searched to see what data is available on how well CCRCs actually are at generating enough revenue (via entrance fees, monthly fees, reserves, etc.) to maintain their facilities, and what practices seem to help or hurt. The picture is mixed: some do well, many are under stress, and outcomes depend heavily on governance, financial planning, regulation, and how conservative/responsive assumptions have been. Below are what I found: key metrics, trends, examples, and what distinguishes the more sustainable CCRCs.

**What the Data Shows: Strengths & Weaknesses**

1. **Reinvestment vs Depreciation / Age Metrics**
	* There is a published ratio called **“Capital Expenditures as a Percentage of Depreciation Expense (CED)** in some reports. When this is ~100%, it suggests that the CCRC is buying/repairing/replacing assets (or otherwise investing in property, plant, and equipment) at least as fast as (or in proportion to) assets are degrading (depreciating). If CED < 100%, assets are aging faster than being replaced. [Ziegler+1](https://www.ziegler.com/media/ylape0b0/zcs-special-report-fye-2022-nfp-ef-ccrc-financial-ratio-medians.pdf?utm_source=chatgpt.com)
	* From *Ziegler’s Financial Ratio Medians*, the CED ratio for many CCRCs was ~ **91% (for FYE 2022)**. [Ziegler](https://www.ziegler.com/media/ylape0b0/zcs-special-report-fye-2022-nfp-ef-ccrc-financial-ratio-medians.pdf?utm_source=chatgpt.com) That suggests many communities are investing almost to keep pace with depreciation — but not universally over it. Some will lag.
	* Also, the *CARF / other trends analysis* show metrics like **“Average Age of Community”** (how old are the assets on average, based on accumulated depreciation / depreciation expense) which give a sense of the “wear and tear” of facilities. If that number is rising and/or reinvestment (CAPEX) is falling behind, there’s risk of deferred maintenance. [CARF International](https://carf.org/wp-content/uploads/2024/10/2024FinancialRatiosTrendAnalysis.pdf?utm_source=chatgpt.com)
2. **Operating Margins, Reliance on Entrance Fees, and Expense Coverage**
	* Many CCRCs appear to have negative or shrinking **operating margins**, particularly once you include non-operating expenses or debt service. Ziegler reports medians for “Operating Margin (OM)” for FYE 2022 CCRCs that are negative (e.g. -7.1%) in some quartiles. [Ziegler](https://www.ziegler.com/media/ylape0b0/zcs-special-report-fye-2022-nfp-ef-ccrc-financial-ratio-medians.pdf?utm_source=chatgpt.com)
	* The dependence on entrance fees (or turnover fees) to generate cash is common. Some CCRCs are structured so that entrance fees help to cover cash deficits (or fund capital improvements). This can work if inflows (turnover, new entrants) remain strong. But risks include slower fill/turnover, economic downturns, cost inflation, or rising maintenance/repair costs that were under-estimated. [Ziegler+2U.S. GAO+2](https://www.ziegler.com/media/ylape0b0/zcs-special-report-fye-2022-nfp-ef-ccrc-financial-ratio-medians.pdf?utm_source=chatgpt.com)
3. **Regulatory & Disclosure Requirements Vary Widely**
	* Some states mandate **reserve requirements**, financial reporting, disclosure of audited statements, etc., intended to ensure CCRCs remain solvent and able to meet maintenance and capital replacement needs. Others have weaker oversight. [Washington Insurance Commissioner+2myLifeSite+2](https://www.insurance.wa.gov/sites/default/files/2024-09/2022-ccrc-study.pdf?utm_source=chatgpt.com)
	* For example, Washington state’s CCRC study found there is *no requirement* in state law for reserve levels for certain types of CCRCs. [Washington Insurance Commissioner](https://www.insurance.wa.gov/sites/default/files/2024-09/2022-ccrc-study.pdf?utm_source=chatgpt.com)
4. **Challenges**
	* Inflation of costs (labor, materials, energy) can outpace what’s been planned in fee increases or reserve accumulation.
	* Asset useful lives sometimes turn out shorter than expected (due to heavier usage, climate, deferred maintenance), driving up replacement frequency / cost.
	* Entrance fee models assume fairly steady demand / occupancy; when occupancy drops, entrance fees decline, threatening cash flows.
	* Some CCRCs under-charge monthly fees relative to what will be needed for capital upkeep, deferring maintenance, which can lead to bigger expenditures later (and/or sudden fee increases).

**What Looks Like Effective Practice**

From what I could see, CCRCs that are more successful in ensuring revenue keeps up with facility maintenance tend to adopt several of the following:

1. **Monitoring Key Ratios Regularly**
They track metrics like CED (CAPEX vs depreciation), average age of facilities, deferred maintenance backlog, occupancy rates, operating vs net margins. These metrics are used by boards and management to trigger plan adjustments.
2. **Proactive Capital Replacement / Renewal Planning**
Including long-term projections: *which equipment or building components will need replacement when*, with cost estimates somewhat inflated for future inflation, safety/code changes, etc.
3. **Reserve Funds / Replacement Reserves**
Maintaining dedicated reserve or replacement funds, regularly depositing into them (often from monthly fees or part of revenue), not just waiting until major repairs are needed.
4. **Transparent Fee Strategy**
Fee increases (monthly fees) tied to inflation, maintenance cost trends, condition of building and systems, etc., with periodic reviews. Entrance fees structured in ways that recognize future obligations.
5. **Strong Financial Disclosure and Oversight**
Audited financials; independent reserve studies; compliance with state regulatory requirements (where those exist); sometimes third-party actuarial studies for “actuarial balance” of entrance fee contracts.
6. **Stress Testing and Sensitivity Analysis**
Considering “what if occupancy drops 10%,” “what if construction materials inflation jumps,” etc. Recognizing those risks and building buffer or contingency plans.

**How Many CCRCs Are Doing It Effectively?**

There is no definitive published study that tells what % of CCRCs are fully “sustainable” in the sense of built-in monthly fees/reserves being adequate forever. But there is data and reporting that suggest:

* Many CCRCs are near or just under the mark (e.g. CED near 100%) but are vulnerable to adverse variance (inflation, occupancy issues).
* Some CCRCs are below that — investing less than depreciation or deferring maintenance — exposing themselves to risk of facility aging, lower satisfaction/quality, and sudden large capital outlays later.
* The more regulated states or communities with strong governance tend to do better.

**Implications & What to Look for in Your Community**

To assess whether *your* CCRC is effective in ensuring revenue keeps up with maintenance, you might want to compare where you are vs some benchmark & look for warning signs. Here are some suggested indicators:

| **Indicator** | **What to Examine** | **What Good Looks Like** |
| --- | --- | --- |
| **CAPEX vs Depreciation** | Annual capital expenditure for maintenance/replacement divided by depreciation on assets. If it is ≥100%, good; if substantially under (e.g. 60-80%), at risk. |  |
| **Facility Age & Deferred Maintenance** | Age of major systems, whether maintenance is being deferred; backlog of needed repairs. |  |
| **Occupancy / Entrance Fee Inflows** | Are they stable or declining? Is there a buffer if they decline? |  |
| **Fee Increase History vs Cost Inflation** | Have monthly fees been increasing in keeping with cost inflation and rising maintenance costs over the past 3-5 years? |  |
| **Reserve Fund Size / Replacement Reserve** | How large is the reserve relative to projected future capital costs? Is there a policy establishing minimum levels? |  |
| **Regulatory Disclosures / Ratio Metrics** | Is the community required/disclosing audited statements, capital structure ratios, reinvestment ratios? Is oversight active? |  |

**Bottom Line**

From the available information, many CCRCs are making efforts that *approach* good sustainability—i.e. reinvesting close to (or a bit below) depreciation, keeping occupancy high, etc.—but a nontrivial number are at risk because they under-provide for capital replacement or are vulnerable to cost/occupancy shocks.

If you want, I can try to assemble a sample of 10-20 CCRCs, compare their financials (especially CAPEX, depreciation, fees, reserve levels) to see what share are likely “in good shape” vs those at risk. Would that kind of benchmarking be useful to you?

**You said:**

Let's focus on a set of benchmark metrics and then assess 20 CCRCs for capital sustainability.

**ChatGPT said:**

Thought for 38s

Great—let’s make this concrete. Here’s a tight, CCRC-specific benchmarking pack you can use to gauge whether communities are really funding capital upkeep (not just booking depreciation).

**1) Benchmarks to track (with why they matter)**

**Core “capital sustainability” set**

1. **CAPEX ÷ Depreciation (CED)** — Are we reinvesting at least as fast as assets are wearing out? Aim for **≥100%** on multi-year average; sustained **<100%** flags deferred maintenance risk. (CARF/Ziegler trend this ratio.) [Reg's Blog+1](https://rhislop3.com/wp-content/uploads/2024/08/2023FinancialRatiosTrendAnalysis.pdf?utm_source=chatgpt.com)
2. **Average Age of Plant (AAOP)** — Accumulated depreciation ÷ current-year depreciation. Higher = older plant. Rising trend without a plan = risk. (CARF defines and trends it.) [CARF International](https://carf.org/wp-content/uploads/2024/10/2024FinancialRatiosTrendAnalysis.pdf?utm_source=chatgpt.com)
3. **Replacement Reserve Adequacy** — Unrestricted (or board-designated) capital reserves ÷ 5-year scheduled replacements. Target ≥1.0x; <1.0x means future fee spikes or borrowing. (Best-practice drawn from reserve-policy guidance.) [GFOA+1](https://www.gfoa.org/materials/strategies-for-establishing-capital-asset-renewal-and?utm_source=chatgpt.com)
4. **Deferred Maintenance Backlog** — $ of identified but unfunded capital projects ÷ annual depreciation. >1–2× suggests structural underfunding. (CARF/GFOA planning practice.) [GFOA](https://www.gfoa.org/capital-planning-and-asset-management?utm_source=chatgpt.com)
5. **Net Operating Margin – Adjusted (NOM-A)** — Adds **net** entrance fees to NOM to reflect how CCRCs actually fund capital/obligations. Persistent negative NOM-A stresses capital plans. [CARF International+1](https://carf.org/wp-content/uploads/2024/10/2024FinancialRatiosTrendAnalysis.pdf?utm_source=chatgpt.com)
6. **Days Cash on Hand (DCOH)** — Liquidity to weather shocks and still fund CAPEX. Compare to peer medians. [Ziegler](https://www.ziegler.com/media/ylape0b0/zcs-special-report-fye-2022-nfp-ef-ccrc-financial-ratio-medians.pdf?utm_source=chatgpt.com)
7. **Debt Service Coverage (DSCR)** — Headroom for borrowing to fund renewal if needed. Track vs medians/covenants. [Ziegler](https://www.ziegler.com/media/ylape0b0/zcs-special-report-fye-2022-nfp-ef-ccrc-financial-ratio-medians.pdf?utm_source=chatgpt.com)
8. **Independent Living Occupancy** — Entrance-fee cash engine; sustained < pre-COVID levels pressures capital. [National Investment Center](https://www.nic.org/blog/ccrc-performance-4q-2022-lessons-for-success/?utm_source=chatgpt.com)

**Helpful context**

* **Turnover / entrance-fee receipts trend**, **capitalized interest share**, **% of fees earmarked for replacement**, and **policy presence** (written renewal & replacement reserve policy). [GFOA+1](https://www.gfoa.org/materials/strategies-for-establishing-capital-asset-renewal-and?utm_source=chatgpt.com)

**2) Reference medians (to judge your 20 against)**

* **Ziegler** publishes NFP entrance-fee CCRC medians (FYE 2022) for OM, DCOH, DSCR, etc.—use as peer guardrails. [Ziegler+1](https://www.ziegler.com/media/ylape0b0/zcs-special-report-fye-2022-nfp-ef-ccrc-financial-ratio-medians.pdf?utm_source=chatgpt.com)
* **CARF/Baker Tilly** trend 17 ratios (incl. CED and AAOP) with long time-series and quartiles. (2024 edition notes strengthening ops & capitalization post-COVID.) [CARF International+2CARF International+2](https://carf.org/wp-content/uploads/2024/10/2024FinancialRatiosTrendAnalysis.pdf?utm_source=chatgpt.com)

**3) The 20-CCRC sample (diverse, data-rich)**

A balanced, public-filings-friendly cohort (single-site and multi-site affiliates; NFP and a few for-profit comparables):

1. Amsterdam at Harborside (NY)
2. Rogue Valley Manor (OR)
3. Shell Point (FL)
4. John Knox Village of Florida (Pompano)
5. RiverWoods Exeter (NH)
6. Kendal at Longwood (PA)
7. Kendal at Oberlin (OH)
8. The Admiral at the Lake (IL)
9. Los Angeles Jewish Home / RiverSpring-affiliated campus (NY/CA\*)
10. Friends House (MD)
11. Willow Valley Communities (PA)
12. Tel Hai (PA)
13. Asbury Methodist Village (MD)
14. HumanGood single-site example: Plymouth Village (CA)
15. Vi at Palo Alto (CA) (for-profit EF model)
16. Erickson Senior Living campus: Riderwood (MD) (for-profit rental/EF mix)
17. Westminster St. Augustine (FL)
18. The Terraces at San Joaquin Gardens (CA)
19. The Overlook (MA)
20. Aldersgate (NC) (teaches a cautionary angle per recent coverage). [The Wall Street Journal](https://www.wsj.com/personal-finance/retirement/financials-continuing-care-retirement-community-5e0fe954?utm_source=chatgpt.com)

(\*If any in the list are consolidated under a parent, we’ll pull site-level where available and parent medians otherwise.)

**4) What we’ll collect for each community (one recent audited year + 5-year trend where feasible)**

**From audited FS & MD&A / EMMA / annual reports:**

* Depreciation expense; CAPEX (PPE additions) → **CED**
* Accumulated & current depreciation → **AAOP**
* Unrestricted/board-designated reserves vs 5-yr capital plan → **Reserve Adequacy**
* Any disclosed **deferred maintenance** backlog
* **NOM** and **NOM-A** (compute from entrance-fee receipts)
* **DCOH**, **DSCR** (as defined in statements/footnotes)
* **IL occupancy** (management discussion or stats)

**From policies / disclosures:**

* Written **renewal & replacement reserve policy** (Y/N; target %)
* % of **monthly fees** earmarked to replacement reserve (Y/N; method)
* **Entrance-fee** usage policy (debt reduction vs capital vs operations)

**5) Scoring model (simple, explainable)**

For each metric, score 0–2 (red/amber/green), then weight:

* CED (weight 3): **≥100% avg 3 yrs = 2**; **80–99% = 1**; **<80% = 0**. [Reg's Blog](https://rhislop3.com/wp-content/uploads/2024/08/2023FinancialRatiosTrendAnalysis.pdf?utm_source=chatgpt.com)
* AAOP trend (2): **Stable/declining with plan = 2**; **rising but funded plan = 1**; **rising & no plan = 0**. [CARF International](https://carf.org/wp-content/uploads/2024/10/2024FinancialRatiosTrendAnalysis.pdf?utm_source=chatgpt.com)
* Reserve adequacy (3): **≥1.0x 5-yr plan = 2**; **0.6–0.99x = 1**; **<0.6x = 0**. [GFOA](https://www.gfoa.org/materials/strategies-for-establishing-capital-asset-renewal-and?utm_source=chatgpt.com)
* Deferred-maintenance ratio (2): **≤1x dep = 2**; **1–2x = 1**; **>2x = 0**. [GFOA](https://www.gfoa.org/capital-planning-and-asset-management?utm_source=chatgpt.com)
* NOM-A (2): **≥0 (non-negative) = 2**; **slightly negative but improving = 1**; **persistently negative = 0**. [CARF International](https://carf.org/wp-content/uploads/2024/10/2024FinancialRatiosTrendAnalysis.pdf?utm_source=chatgpt.com)
* DCOH (2): **≥peer median = 2**; **within 20% = 1**; **below –20% = 0**. [Ziegler](https://www.ziegler.com/media/ylape0b0/zcs-special-report-fye-2022-nfp-ef-ccrc-financial-ratio-medians.pdf?utm_source=chatgpt.com)
* DSCR (1): **≥1.4x or above covenant buffer = 2**; **1.1–1.39x = 1**; **<1.1x = 0**. [Ziegler](https://www.ziegler.com/media/ylape0b0/zcs-special-report-fye-2022-nfp-ef-ccrc-financial-ratio-medians.pdf?utm_source=chatgpt.com)
* IL occupancy (1): **≥peer median = 2**; **within –2 pts = 1**; **>2 pts below = 0**. [National Investment Center](https://www.nic.org/blog/ccrc-performance-4q-2022-lessons-for-success/?utm_source=chatgpt.com)
* Policy presence (1): **Adopted reserve policy with targets = 2**; **informal practice = 1**; **none = 0**. [GFOA](https://www.gfoa.org/best-practices/capital-planning-and-infrastructure?utm_source=chatgpt.com)

**Total 16 possible “weighted points.”**
Interpretation: **13–16 strong**, **9–12 mixed / monitor**, **≤8 elevated capital-sustainability risk**.

**6) One-page data sheet per CCRC (copy/paste template)**

Community:

Fiscal Year (audited):

Contract Type: (Type A / B / C / Rental) Ownership: (NFP / FP) Single/Multi-site:

P&L + Cash:

 Net Operating Margin (NOM):

 Net Entrance Fee Receipts:

 NOM-Adjusted (NOM-A):

 Days Cash on Hand (DCOH):

 DSCR:

Capital:

 Depreciation (current year):

 CAPEX (PPE additions):

 CAPEX ÷ Depreciation (CED):

 Accumulated Depreciation:

 Average Age of Plant (AAOP):

 Deferred Maintenance Backlog: $ and notes

 5-Year Capital Plan (total):

 Unrestricted/Board-Designated Reserves available for capital:

 Reserve Adequacy (Reserves ÷ 5-yr plan):

Operations/Market:

 IL Occupancy (%):

 Fee policy notes (share of monthly fees to replacement):

 Entrance-fee usage policy (debt/capital/ops mix):

Governance/Policy:

 Renewal & Replacement Reserve Policy (Y/N; target %):

 Debt covenants headroom (brief):

Scorecard (R/A/G):

 CED: AAOP: Reserve Adequacy: Deferred Maint:

 NOM-A: DCOH: DSCR: IL Occ: Policy:

 Total weighted points:

**7) Why this set works**

It blends **what GAAP tells you** (depreciation/AAOP), **what practice tells you** (reserve policies & backlogs), and **how CCRCs really fund capital** (NOM-A and occupancy/entrance-fee dynamics). It also aligns with how **CARF/Ziegler/Baker Tilly** slice the industry—so your results can be anchored to credible medians and quartiles. [CARF International+2Ziegler+2](https://carf.org/wp-content/uploads/2024/10/2024FinancialRatiosTrendAnalysis.pdf?utm_source=chatgpt.com)

If you’d like, I can start filling this in for that 20-CCRC list using their latest audited statements and public filings and give you a first comparison table with green/amber/red flags plus brief commentary for each.

**You said:**

Good. Please continue.

**ChatGPT said:**

Thought for 2m 30s

Awesome—let’s kick off the assessment with a first batch of CCRCs and line them up against reputable industry medians. I’m starting with four organizations where the most recent audited financials are publicly available; we can add more in the same format to reach 20.

**Benchmarks (for context)**

* **CARF 2024 (FY2023 data)** medians: Single-site **CED** 94%, Multi-site **CED** 132%; Average Age of Plant (AAOP) ~**12.25** years (single-site) and **12.45** (multi-site). The rule-of-thumb from capital markets: aim for **CED ≥ 1.0x** (≥100%) to at least match depreciation. [CARF International](https://carf.org/wp-content/uploads/2024/10/2024FinancialRatiosTrendAnalysis.pdf)

**Definitions**
**CED** = Capital Expenditures ÷ Depreciation (≥1.0x indicates reinvestment at or above wear-and-tear).
**AAOP** ≈ Accumulated Depreciation ÷ Annual Depreciation (years; lower = newer plant).

**CCRCs — first 4 of 20**

| **Community (FY)** | **CAPEX ($)** | **Depreciation ($)** | **CED** | **Accum. Depr. ($)** | **AAOP (yrs)** | **Quick read** |
| --- | --- | --- | --- | --- | --- | --- |
| **Kendal~Crosslands Communities (PA)** (2023) | 16,185,078 | 10,679,000 | **1.52x (152%)** | 149,369,446 | **14.0** | Well above 1.0x; plant age a bit older than median. [Kendal Crosslands Communities](https://www.kendal-crosslands.org/wp-content/uploads/2024/06/KCCFinalAudit2023accessible.pdf) |
| **The RiverWoods Group (NH)** consolidated (2024) | 28,887,901 | 16,786,197 | **1.72x (172%)** | 179,730,557 | **10.7** | Strong reinvestment; younger plant than median. [RiverWoods Retirement Communities+1](https://riverwoodsnh.org/assets/2024/09/1.-Audited-FY24-Financial-Statements-The-RiverWoods-Group-06-30-24-FINAL.pdf) |
| **Asbury Communities, Inc.** (multi-site parent) (2023) | 31,522,377 | 39,302,799 | **0.80x (80%)** | 515,074,079 | **13.1** | Reinvesting below depreciation in FY23; portfolio plant age slightly older than median. [Asbury+1](https://www.asbury.org/wp-content/uploads/2024/08/2023-Asbury-Communities-Financials.pdf) |
| **CC-Palo Alto (Vi at Palo Alto, CA)** (2024) | 4,798,358 | 11,140,139 | **0.43x (43%)** | 151,366,692 | **13.6** | Well below 1.0x in FY24; plant age older than median; sizable ground-lease & distributions in play. [Corporate](https://www.viliving.com/-/media/ViLiving/Home/locations/ca/palo-alto/footer/Vi-at-Palo-Alto-2024-Annual-Report---Website.pdf) |

**Notes on sources & numbers (by line item)**

* KCC: CAPEX from cash-flows (“Acquisition of property, plant, and equipment”); depreciation and accumulated depreciation from notes and statements. [Kendal Crosslands Communities](https://www.kendal-crosslands.org/wp-content/uploads/2024/06/KCCFinalAudit2023accessible.pdf)
* RWG: CAPEX from investing cash-flows and footnote recon; depreciation (incl. amortization) from cash-flows and functional expense note; accumulated depreciation from balance sheet detail. [RiverWoods Retirement Communities+1](https://riverwoodsnh.org/assets/2024/09/1.-Audited-FY24-Financial-Statements-The-RiverWoods-Group-06-30-24-FINAL.pdf)
* Asbury: CAPEX from “Purchase of property and equipment, net”; depreciation and accumulated depreciation from Note 7. [Asbury](https://www.asbury.org/wp-content/uploads/2024/08/2023-Asbury-Communities-Financials.pdf)
* CC-Palo Alto: CAPEX from investing cash-flows (“Additions to property and equipment”); depreciation from statements/adjustments; accumulated depreciation from PP&E detail. [Corporate](https://www.viliving.com/-/media/ViLiving/Home/locations/ca/palo-alto/footer/Vi-at-Palo-Alto-2024-Annual-Report---Website.pdf)

**What this says about capital sustainability (so far)**

* **Strong reinvestors**: RiverWoods and Kendal~Crosslands are comfortably above the 1.0x CED target, aligning with (or exceeding) CARF multi-site medians and comfortably above the single-site median. That’s supportive of **long-term facility upkeep**. [CARF International](https://carf.org/wp-content/uploads/2024/10/2024FinancialRatiosTrendAnalysis.pdf)
* **Lagging reinvestment**: Asbury (as a consolidated multi-site) and CC-Palo Alto ran **below 1.0x** in the latest year—**not necessarily alarming** for a single year (projects can be lumpy), but it’s a **watch item** if persistent, especially with AAOP trending >12 years. [CARF International](https://carf.org/wp-content/uploads/2024/10/2024FinancialRatiosTrendAnalysis.pdf)
* **Context matters**: Some operators (e.g., CC-Palo Alto) have **ground leases, parent distributions,** and **large entrance-fee churn** that affect free cash for CAPEX—worth pairing these CED snapshots with **multi-year trend lines** and **debt/DSC metrics** before drawing hard conclusions. [Corporate](https://www.viliving.com/-/media/ViLiving/Home/locations/ca/palo-alto/footer/Vi-at-Palo-Alto-2024-Annual-Report---Website.pdf)

**Next steps to reach 20 CCRCs (same template)**

I’ll continue populating this with additional nonprofits and a few for-profits where audited financials (or regulatory filings) give CAPEX and depreciation detail—e.g., **Kendal System affiliates (other campuses), PRS/Rogue Valley Manor, Shell Point, Lifespace, Acts, Covenant Living, Erickson affiliates,** etc.—and then summarize:

1. **How many meet/exceed 1.0x CED**,
2. **Median CED and AAOP** of the sample vs. CARF/Fitch medians,
3. **Outliers & likely drivers** (expansion projects, debt structure, entrance-fee dynamics).

If you’d like, name any specific CCRCs you want included, otherwise I’ll pick the next 16 based on availability of FY2023–FY2024 audited statements and state disclosure filings.