

CALIFORNIA FRIENDS HOMES
dba ROWNTREE GARDENS
CONTINUING CARE LIQUID RESERVE SCHEDULES
YEAR ENDED DECEMBER 31, 2019
WITH
INDEPENDENT AUDITOR'S REPORT



Certified Public Accountants, LLP

audit | tax | advisory | wealth management | cfo

**CALIFORNIA FRIENDS HOMES
dba ROWNTREE GARDENS
YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT¹²

To the Board of Directors of
California Friends Homes, dba Rowntree Gardens

We have audited the accompanying reserve schedules of California Friends Homes, dba Rowntree Gardens (the Corporation), which comprise the continuing care liquid reserve schedules, Forms 5-1 through 5-5 ("Reports") and related notes, as of and for the year ended December 31, 2019.

Management's Responsibility for the Continuing Care Reserve Schedules

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

Auditor's Responsibility

Our responsibility is to express an opinion on these schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about the whether the schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedules referred to above present fairly, in all material respects, the continuing care liquid reserves of the Corporation as of and for the year ended December 31, 2019, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the schedules. The schedules are prepared by the Corporation on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the schedules, as a whole. The accompanying supplementary schedule; Part of Form 5-4, Non-Contract Resident Revenue Reconciliation and Interest Expense Reconciliation are presented for the purpose of additional analysis and are not a required part of the basic schedules. 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 schedules. The information has been subjected to the auditing procedures applied in the audit of the schedules, and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the schedules, or to the schedules 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 schedules, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the members of the Board of Directors, Management of the Corporation, 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.



Mark E. Damon CPA, Managing Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
June 11, 2020

**FORM 5-1
LONG-TERM DEBT INCURRED
IN A PRIOR FISCAL YEAR
(Including Balloon Debt)**

| 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 | | | | | - |
| 2 | | | | | - |
| 3 | | | | | - |
| 4 | | | | | - |
| 5 | | | | | - |
| 6 | | | | | - |
| 7 | | | | | - |
| 8 | | | | | - |
| TOTAL | | - | - | - | - |

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

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

PROVIDER: California Friends Homes, DBA Rowntree Gardens

**FORM 5-2
LONG-TERM DEBT INCURRED
During Fiscal Year
(Including Balloon Debt)**

| 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 next 12 months | (e) Reserve Requirement (see instruction 5) (columns (c) x (d)) |
|---------------------------|----------------------|---|--|--|--|
| 1 | 11/19/2019 | 7,378 | 14,545 | 12 | 174,540 |
| 2 | 11/19/2019 | 1,597 | 5,321 | 12 | 63,852 |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |
| 6 | | | | | |
| 7 | | | | | |
| 8 | | | | | |
| TOTAL | | \$ 8,975 | \$ 19,866 | 24 | \$ 238,392 |

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

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

PROVIDER: California Friends Homes, DBA Rowntree Gardens

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

| LINE | | TOTAL |
|-------------|---|--------------------------|
| 1 | Total from Form 5-1 bottom of column (e) | <u>\$ -</u> |
| 2 | Total from Form 5-2 bottom of Column (e) | <u>238,392</u> |
| 3 | Facility leasehold or rental payment paid by provider during fiscal year. (including related payments such as lease insurance) | <u>-</u> |
| 4 | TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE: | <u><u>\$ 238,392</u></u> |

PROVIDER: California Friends Homes, DBA Rowntree Gardens

**FORM 5-4
CALCULATION OF NET OPERATING EXPENSES**

| | Amounts | TOTAL |
|--|----------------|----------------|
| 1 Total operating expenses from financial statements | | 20,361,590 |
| 2 Deductions | | |
| a Interest paid on long-term debt (see instructions) | 121,350 | |
| b Credit enhancement premiums paid for long-term debt (see instructions) | - | |
| c Depreciation | 899,706 | |
| d Amortization | - | |
| e Revenues received during the fiscal year for services to persons who did not have a continuing care contract | 15,985,558 | |
| f Extraordinary expenses approved by the Department | - | |
| 3 Total Deductions | | 17,006,614 |
| 4 Net Operating Expenses | | 3,354,976 |
| 5 Divide Line 4 by 365 and enter the result (rounded). | | 9,192 |
| 6 Multiply Line 5 by 75 and enter the result. | | 689,400 |
| This is the provider's operating expense reserve amount for this community. | | |

PROVIDER: California Friends Homes, DBA Rowntree Gardens

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: California Friends Homes, DBA Rowntree Gardens
 Fiscal Year Ended: December 31, 2019

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2018 and are in compliance with those requirements.

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

| | | <u>Amount</u> |
|-----|-------------------------------------|-------------------|
| [1] | Debt Service Reserve Amount | \$ 238,392 |
| [2] | Operating Expense Reserve Amount | <u>689,400</u> |
| [3] | Total Liquid Reserve Amount: | <u>\$ 927,792</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 | \$ 238,392 | \$ 473,682 |
| [5] | Investment Securities | - | - |
| [6] | Equity Securities | - | - |
| [7] | Unused/Available Lines of Credit | - | 1,520,000 |
| [8] | Unused/Available Letters of Credit | - | - |
| [9] | Debt Service Reserve | - | - |
| [10] | Other: (describe qualifying asset) | <u>-</u> | <u>-</u> |
| Total Amount of Qualifying Assets: | | | |
| | Listed for Reserve Obligation: | [11] \$ <u>238,392</u> | [12] \$ <u>1,993,682</u> |
| | Reserve Obligation Amount: | [13] \$ <u>238,392</u> | [14] \$ <u>689,400</u> |
| | Surplus/(Deficiency): | [15] \$ <u>-</u> | [16] \$ <u>1,304,282</u> |

Signature:

(Authorized Representative)

Chief Executive Officer
(Title)

**CALIFORNIA FRIENDS HOMES
dba ROWNTREE GARDENS**

**NOTES TO THE CONTINUING CARE LIQUID RESERVE SCHEDULES
DECEMBER 31, 2019**

NOTE 1 - BASIS OF ACCOUNTING

The accompanying reserve schedules Forms 5-1 through 5-5 on pages 3 through 7 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 the California Friends Homes dba Rowntree Garden's assets, liabilities, revenues, and expenses.

California Friends Homes, DBA Rowntree Gardens
Part of Form 5-4; item 2-e - Revenue and Support - Non-Contract Revenue Reconciliation

| Revenue and Support | Reported on Audit | Revenues by Type | | |
|-------------------------------------|----------------------|------------------|---------------|--------------|
| | | Contract | Non-Contract | Non-Resident |
| Service fees | \$ 9,996,571 | \$ 1,375,894 | \$ 8,620,677 | \$ - |
| Health center revenue | 6,561,367 | 278,496 | 6,282,871 | - |
| Home care revenue | 756,584 | - | - | 756,584 |
| Other revenue | 382,774 | 57,348 | 257,375 | 68,051 |
| Total Contract/Non-Contract revenue | \$ 17,697,296 | \$ 1,711,738 | \$ 15,160,923 | \$ 824,635 |
| Less Total Contract revenue | (1,711,738) | | | |
| Total Non-Contract revenue | 15,985,558 | | | |
| Total Contract/Non-Contract revenue | <u>\$ 17,697,296</u> | | | |

Part of Form 5-4; item 2-a - Interest Expense Reconciliation

| Interest Expense | Reported on Audit | Interest Expense | |
|------------------|-------------------|------------------|----------------|
| | | Line of Credit | Long-term Debt |
| \$ | <u>160,100</u> | \$ 38,750 | \$ 121,350 |