

CALIFORNIA FRIENDS HOMES

dba ROWNTREE GARDENS

CONTINUING CARE LIQUID RESERVE SCHEDULES

YEAR ENDED DECEMBER 31, 2020

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, 2020**

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INDEPENDENT AUDITOR'S REPORT

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 ("schedules") and related notes, as of and for the year ended December 31, 2020.

Management's Responsibility for the Continuing Care Reserve Schedules

Management is responsible for the preparation and fair presentation of the 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, 2020, 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, 2021

**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	11/19/2019	59,035	115,502		174,537
2	11/19/2019	39,541	24,312		63,853
3					-
4					-
5					-
6					-
7					-
8					-
TOTAL		98,576	139,814	-	238,390

(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					-
2					-
3					
4					
5					
6					
7					
8					
TOTAL		\$ -	\$ -	-	\$ -

(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)	\$ 238,390
2 Total from Form 5-2 bottom of Column (e)	-
3 Facility leasehold or rental payment paid by provider during fiscal year. (including related payments such as lease insurance)	-
4 TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$ 238,390

PROVIDER: California Friends Homes, DBA Rowntree Gardens

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

	Amounts	TOTAL
1 Total operating expenses from financial statements		20,701,018
2 Deductions		
a Interest paid on long-term debt (see instructions)	139,814	
b Credit enhancement premiums paid for long-term debt (see instructions)	-	
c Depreciation	828,631	
d Amortization	-	
e Revenues received during the fiscal year for services to persons who did not have a continuing care contract	14,905,774	
f Extraordinary expenses approved by the Department	-	
3 Total Deductions		<u>15,874,219</u>
4 Net Operating Expenses		<u>4,826,799</u>
5 Divide Line 4 by 365 and enter the result (rounded).		<u>13,224</u>
6 Multiply Line 5 by 75 and enter the result.		<u>991,800</u>
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, 2020

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2020 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	\$ 238,390
[2] Operating Expense Reserve Amount	991,800
[3] Total Liquid Reserve Amount:	<u>\$ 1,230,190</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		\$ 238,390	\$ 1,225,333
[5] Investment Securities		-	-
[6] Equity Securities		-	-
[7] Unused/Available Lines of Credit		-	1,190,000
[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] \$ 238,390	[12] \$ 2,415,333
Reserve Obligation Amount:	[13] \$ 238,390	[14] \$ 991,800
Surplus/(Deficiency):	[15] \$ -	[16] \$ 1,423,533

Signature:

 (Authorized Representative)

 Chief Executive Officer
 (Title)

**CALIFORNIA FRIENDS HOMES
dba ROWNTREE GARDENS**

**NOTES TO THE CONTINUING CARE LIQUID RESERVE SCHEDULES
DECEMBER 31, 2020**

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	\$ 10,159,632	\$ 1,431,730	\$ 8,727,902	\$ -
Health center revenue	5,753,080	433,463	5,319,617	-
Home care revenue	706,570	-	-	706,570
Other revenue	184,343	32,658	133,997	17,688
Total Contract/Non-Contract revenue	\$ 16,803,625	\$ 1,897,851	\$ 14,181,516	\$ 724,258
Less Total Contract revenue	(1,897,851)			
Total Non-Contract revenue	14,905,774			
Total Contract/Non-Contract revenue	<u>\$ 16,803,625</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
	\$ 143,279	\$ 3,465	\$ 139,814

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

Date Prepared: 05/31/2021

FACILITY NAME: Rowntree Gardens Senior Living
ADDRESS: 12151 Dale St., Stanton, CA ZIP CODE: 90680 PHONE: 714-530-9100
PROVIDER NAME: California Friends Homes FACILITY OPERATOR:
RELATED FACILITIES: RELIGIOUS AFFILIATION:
YEAR # OF ☐ SINGLE ☐ MULTI- MILES TO SHOPPING CTR:
OPENED: 1965 ACRES: 7 STORY STORY ☒ OTHER: Both MILES TO HOSPITAL:

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS — STUDIO:	31	ASSISTED LIVING:	109
APARTMENTS — 1 BDRM:	36	SKILLED NURSING:	58
APARTMENTS — 2 BDRM:		SPECIAL CARE:	48
COTTAGES/HOUSES:	5	DESCRIPTION: >	Dementia Care
RLU OCCUPANCY (%) AT YEAR END:	81%	>	86%

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:

RANGE OF ENTRANCE FEES: \$ 185,000 - \$ 600,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Yes

ENTRY REQUIREMENTS: MIN. AGE: 62 **PRIOR PROFESSION:** **OTHER:**

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD (briefly describe provider's compliance and residents' role): >

> Resident Voting Member: Lois Mullis; Resident Representative: Marilyn Lindley

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

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: California Friends Homes

<u>OTHER CCRCs</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

<u>MULTI-LEVEL RETIREMENT COMMUNITIES</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

<u>FREE-STANDING SKILLED NURSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

<u>SUBSIDIZED SENIOR HOUSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

PROVIDER NAME: California Friends Homes

	2017	2018	2019	2020
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	17,321,075	17,228,180	17,757,563	19,779,970
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	17,987,521	19,393,205	19,301,784	19,729,108
NET INCOME FROM OPERATIONS	(666,446)	(2,165,025)	(1,544,221)	50,862
LESS INTEREST EXPENSE	129,611	145,402	160,100	143,279
PLUS CONTRIBUTIONS	40,659	1,352,075	54,186	97,132
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	(854,855)	263,000	204,918	1,350,001
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(1,610,253)	(695,352)	(1,445,217)	1,354,716
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	759,799	1,126,550	1,278,002	356,550

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Farmers & Merchants Bank	2,575,098	5.495%	11-19-2019	11-19-2029	120 months

FINANCIAL RATIOS (see next page for ratio formulas)

	2017 CCAC Medians 50 th Percentile (optional)	2018	2019	2020
DEBT TO ASSET RATIO		0.169	0.20	0.19
OPERATING RATIO		1.126	1.10	0.99
DEBT SERVICE COVERAGE RATIO		3.209	(0.23)	6.08
DAYS CASH ON HAND RATIO		26.00	45.99	64.64

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2017	%	2018	%	2019	%	2020	%
STUDIO	3104	2.5%	3182	2.5%	3389	6.5%	3491	3.0%
ONE BEDROOM	3463	2.5%	3550	2.5%	3781	6.5%	3894	3.0%
TWO BEDROOM								
COTTAGE/HOUSE	4541	2.5%	4655	2.5%	4888	5.0%	5035	3.0%
ASSISTED LIVING	3463	2.5%	3550	2.5%	3781	6.5%	3894	3.0%
SKILLED NURSING	7020	2.6%	7200	2.6%	7380	2.5%	7590	2.8%
SPECIAL CARE	5100	2.4%	5220	2.4%	5550	6.3%	5550	0.0%

COMMENTS FROM PROVIDER: >

>
>

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.