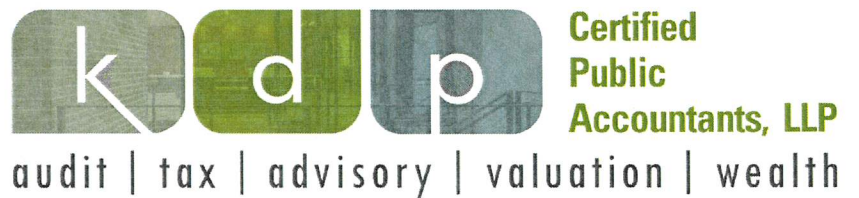


**CALIFORNIA FRIENDS HOMES
dba ROWNTREE GARDENS**

**CONTINUING CARE LIQUID RESERVE
SCHEDULES**

**YEAR ENDED DECEMBER 31, 2023
WITH
INDEPENDENT AUDITOR'S REPORT**



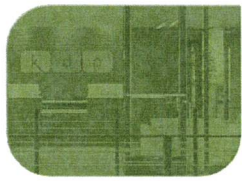


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December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Continuing Care Liquid Reserve Schedules

Opinion

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, 2023.

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, 2023, 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 Continuing Care Liquid Reserve section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related 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 Continuing Care Liquid 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Continuing Care Liquid Reserve Schedules

Our objectives are to obtain reasonable assurance about whether the schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedules.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedules.

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.

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 schedules; Part of Form 5-4, Non-Contract Resident Revenue Reconciliation, Interest Expense Reconciliation, and Part of Form 5-5, Description of Reserves and Additional Disclosures (Section 1790) 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.



Benjamin R. Cohn, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
June 14, 2024

**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	6/6/2022	-	27,650	-	27,650
2	6/6/2022	58,772	139,063	-	197,835
3	6/6/2022	-	22,398	-	22,398
4	9/30/2022	5,802	769	-	6,571
5					-
6					-
7					-
8					-
TOTAL		64,574	189,880	-	254,454

(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		\$ -	\$ -	12	\$ -

(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>\$ 254,454</u>
2	Total from Form 5-2 bottom of Column (e)	<u>-</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>\$ 254,454</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		25,248,721
2 Deductions		
a Interest paid on long-term debt (see instructions)	189,957	
b Credit enhancement premiums paid for long-term debt (see instructions)	-	
c Depreciation	741,955	
d Amortization	63,613	
e Revenues received during the fiscal year for services to persons who did not have a continuing care contract	19,752,150	
f Extraordinary expenses approved by the Department ***	-	
3 Total Deductions		20,747,675
4 Net Operating Expenses		4,501,046
5 Divide Line 4 by 365 and enter the result (rounded).		12,332
6 Multiply Line 5 by 75 and enter the result.		924,872
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, 2023

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2023 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	\$ 254,454
[2] Operating Expense Reserve Amount	924,872
[3] Total Liquid Reserve Amount:	\$ 1,179,327

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	\$ -	\$ 1,038,827
[5]	Investment Securities	-	-
[6]	Equity Securities	-	-
[7]	Unused/Available Lines of Credit	-	1,300,000
[8]	Unused/Available Letters of Credit	-	-
[9]	Debt Service Reserve	300,000	-
[10]	Other: (describe qualifying asset)	-	-
Total Amount of Qualifying Assets:			
	Listed for Reserve Obligation:	[11] \$ 300,000	[12] \$ 2,338,827
	Reserve Obligation Amount:	[13] \$ 254,454	[14] \$ 924,872
	Surplus/(Deficiency):	[15] \$ 45,546	[16] \$ 1,413,955

Signature:

(Authorized Representative)

Chief Executive Officer
(Title)

**CALIFORNIA FRIENDS HOMES
dba ROWNTREE GARDENS**

**NOTES TO THE CONTINUING CARE LIQUID RESERVE SCHEDULES
DECEMBER 31, 2023**

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.

**Friends Homes, DBA Rowntree Gardens
Revenue and Support - Non-Contract Revenue Reconciliation**

Revenue and Support	Reported on Audit	Revenues by Type		
		Contract	Non-Contract	Non-Resident
Service fees	\$ 12,109,917	\$ 1,041,479	\$ 11,065,438	\$ 3,000
Health center revenue	8,473,369	192,678	8,280,691	-
Home care revenue	-	-	-	-
Other revenue	451,867	48,846	361,819	41,202
Total Contract/Non-Contract revenue	\$ 21,035,153	\$ 1,283,003	\$ 19,707,948	\$ 44,202
Less Total Contract revenue	(1,283,003)			
Total Non-Contract revenue	19,752,150			
Total Contract/Non-Contract revenue	\$ 21,035,153			

4; Item 2-a - Interest Expense Reconciliation

Interest Expense	Reported on Audit	Interest Expense	
		Line of Credit	Long-term Debt
Interest Expense	\$ 189,957		\$ 189,957
Amortization of debt issuance costs (included as a component of interest expense)	63,613		
Short-term credit facility to be repaid within 12 months of being incurred	73,438		
Total interest expense per audit FS	\$ 327,008		

**PART OF FORM 5-5, DESCRIPTION OF RESERVES AND
ADDITIONAL DISCLOSURES (SECTION 1790)**

Per Capita Cost of Operations

Operating Expenses (Form 5-4 line #1)	\$	25,248,721
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Mean # of CCRC Residents (Form 1-1 line 5)	27
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Per Capita Cost of Operations	\$	935,138
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Amounts Accumulated or Expended for Identified Projects or Purposes

None

Accumulated Funds:	\$	-
Expended Funds:	\$	-

Maturing Short Term Debt Refinancing

Rowntree Gardens has a short-term loan (18 months) in the amount of \$1,200,000 maturing on November 1, 2024. Rowntree will be refinancing this loan into a 24-60 months term loan. Rowntree is also evaluating restructuring all of its debt into a single loan that would include the \$1,200,000 maturing loan.

Rowntree is currently in discussions with three lenders to determine the best overall terms and structure for the intermediate time frame.

Rowntree is also in discussions with Cain Brothers on a longer-term loan/debt plan that would include renovation projects.