



CALIFORNIA FRIENDS HOMES
dba ROWNTREE GARDENS
DECEMBER 31, 2024

CONTINUING CARE LIQUID RESERVE
SCHEDULES & INDEPENDENT
AUDITORS' REPORT

Focused
on YOU



CALIFORNIA FRIENDS HOMES
dba ROWNTREE GARDENS

CONTINUING CARE LIQUID RESERVE SCHEDULES &
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2024

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INDEPENDENT AUDITORS' REPORT

To Management and Members of the Board of Directors
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 "Organization"), 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, 2024.

In our opinion, the schedules referred to above present fairly, in all material respects, the continuing care liquid reserves of the Organization as of and for the year ended December 31, 2024, 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 Financial Statements

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.

Auditors' Responsibilities for the Audit of the Financial Statements

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.



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

In performing an audit in accordance with generally accepted auditing standards, 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 Note 1, which describes the basis of accounting used to prepare the schedules. The schedules are prepared by the Organization 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 provisions of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Other Matter – Supplemental Schedules

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 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 GAAS. 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 Organization, 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.

LSL, LLP

Irvine, California
April 15, 2025

CALIFORNIA FRIENDS HOMES DBA ROWNTREE GARDENS

**FORM 5-1 - LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR (INCLUDING BALLOON DEBT)
DECEMBER 31, 2024**

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	12/31/2022	\$ 3,190	\$ 81	\$ -	\$ 3,271
2	6/1/2023	4,679	591	-	5,270
Total		\$ 7,869	\$ 672	\$ -	\$ 8,541

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

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

Note: Debt refinanced during 2024 that has a \$0 balance at December 31, 2024 is not included in this form.

CALIFORNIA FRIENDS HOMES DBA ROWNTREE GARDENS

FORM 5-2 - LONG-TERM DEBT INCURRED DURING FISCAL YEAR (INCLUDING BALLOON DEBT)
 DECEMBER 31, 2024

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	5/7/2024	\$ 4,555	\$ 1,662	12	\$ 19,944
2	10/23/2024	180,000	90,000	12	1,080,000
Total		\$ 184,555	\$ 91,662	24	\$ 1,099,944

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

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

CALIFORNIA FRIENDS HOMES DBA ROWNTREE GARDENS

FORM 5-3 - CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT
DECEMBER 31, 2024

LINE		TOTAL
1	Total from 5-1 bottom of column (e)	\$ 8,541
2	Total from 5-2 bottom of column (e)	1,099,944
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>\$ 1,108,485</u>

CALIFORNIA FRIENDS HOMES DBA ROWNTREE GARDENS

FORM 5-4 - CALCULATION OF NET OPERATING EXPENSES
DECEMBER 31, 2024

		AMOUNTS	TOTAL
1	Total operating expenses from financial statements		\$ 25,861,983
2	Deductions		
a	Interest paid on long-term debt (see instructions)	\$ 185,227	
b	Credit enhancement premiums paid for long-term debt (see instructions)	-	
c	Depreciation	988,060	
d	Amortization	65,594	
e	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	20,193,654	
f	Extraordinary expenses approved by the Department***	-	
3	Total Deductions		<u>21,432,535</u>
4	Net Operating Expenses		<u>4,429,448</u>
5	Divide Line 4 by 365 and enter the result (rounded).		<u>12,135</u>
6	Multiply Line 5 by 75 and enter the result.		<u>\$ 910,125</u>
	This is the provider's operating expense reserve amount for this community.		

CALIFORNIA FRIENDS HOMES DBA ROWNTREE GARDENS

**FORM 5-5 - ANNUAL RESERVE CERTIFICATION
DECEMBER 31, 2024**

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2024 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	\$ 1,108,485
[2] Operating Expense Reserve Amount	<u>910,125</u>
[3] Total Liquid Reserve Amount:	<u><u>\$ 2,018,610</u></u>

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

Qualifying Asset Description	Amount (market value at end of quarter)	
	Debt Service Reserve	Operating Reserve
[4] Cash and Cash Equivalents	\$ -	\$ 1,524,666
[5] Investment Securities	-	-
[6] Equity Securities	-	-
[7] Unused/Available Lines of Credit	-	-
[8] Unused/Available Letters of Credit	-	-
[9] Debt Service Reserve	540,000	-
[10] Other: Operating Reserve (describe qualifying asset)	-	501,388
[11] Other: Regulatory Reserve (describe qualifying asset)	<u>1,102,058</u>	<u>-</u>
Total Amount of Qualifying Assets:		
Listed for Reserve Obligation:	[11] <u>1,642,058</u>	[12] <u>2,026,054</u>
Reserve Obligation Amount:	[13] <u>1,108,485</u>	[14] <u>910,125</u>
Surplus/(Deficiency):	[15] <u><u>\$ 533,573</u></u>	[16] <u><u>\$ 1,115,929</u></u>

Signature:

(Authorized Representative)

(Title)

CALIFORNIA FRIENDS HOMES DBA ROWNTREE GARDENS

**NOTES TO THE CONTINUING CARE LIQUID RESERVE SCHEDULES
DECEMBER 31, 2024**

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 – NON-CONTRACT REVENUE RECONCILIATION
FOR THE YEAR ENDED DECEMBER 31, 2024

Revenue and Support	Reported on Audit	Revenues by Type		
		Contract	Non-Contract	Non-Resident
Service fees	\$ 13,036,328	\$ 2,766,830	\$ 10,269,498	\$ -
Health center revenue	9,789,068	233,351	9,555,717	-
Entrance fees earned	553,693	553,693	-	-
Other revenue	401,258	32,819	281,309	87,130
Total Contract/Non-Contract Revenue	23,780,347	\$ 3,586,693	\$ 20,106,524	\$ 87,130
Less Total Contract Revenue	(3,586,693)			
Total Non-Contract revenue	\$ 20,193,654			
Total Contract/Non-Contract revenue	\$ 23,780,347			

PART OF FORM 5-4, ITEM 2-A – INTEREST EXPENSE RECONCILIATION
FOR THE YEAR ENDED DECEMBER 31, 2024

Interest Expense	Reported on Audit	Interest Expense	
		Line of Credit	Long-Term Debt
Interest Expense	\$ 185,227	\$ -	\$ 185,227
Amortization of debt issuance costs (included as a component of interest expense)	65,594		
Interest expense related to short-term debt refinanced in 2024	314,203		
Total Interest Expense Per Audit FS	\$ 565,024		

CALIFORNIA FRIENDS HOMES DBA ROWNTREE GARDENS

PART OF FORM 5-5, DESCRIPTION OF RESERVES AND ADDITIONAL DISCLOSURES (SECTION 1790)
FOR THE YEAR ENDED DECEMBER 31, 2024

Per Capita Cost of Operations

Operating Expenses \$ 25,861,983
(Form 5-4 line #1)

Mean # of CCRC Residents 24.5
(Form 1-1 line 5)

Per Capita Cost of Operations \$ 1,055,591

Amounts Accumulated or Expended for Identified Projects or Purposes

Capital Expenditure Reserve

Accumulated Funds: \$ 1,419,442

Expended Funds: \$ -