

**HumanGood Fresno  
(dba Terraces at San Joaquin Gardens)  
(a Member of HumanGood)**

Continuing Care Liquid Reserve Schedules  
and Supplementary Information

December 31, 2019

**HumanGood Fresno (dba Terraces at San Joaquin Gardens)**  
**(a Member of HumanGood)**

---

Table of Contents  
December 31, 2019

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Continuing Care Liquid Reserve Schedules</b>	
Form 5-1 Long-Term Debt Incurred in a Prior Fiscal Year	3
Form 5-2 Long-Term Debt Incurred During Fiscal Year	4
Form 5-3 Calculation of Long-Term Debt Reserve Amount	5
Form 5-4 Calculation of Net Operating Expenses	6
Form 5-5 Annual Reserve Certification	7
Note to Continuing Care Liquid Reserve Schedules	8
<b>Supplementary Information</b>	
Attachment I to Form 5-1 and 5-2: Interest Paid During Fiscal Year	9
Attachment I to Form 5-4: Operating Expenses From Combining Financial Statements	10
Attachment II to Form 5-4: Deductions From Operating Expenses	11
Attachment I to Form 5-5: Schedule of Qualifying Assets - Debt Service Reserve and Operating Reserve	12
Form 5-5 Supplemental Schedule: Per Capita Cost of Operations	13

## **Independent Auditors' Report**

To the Members of the Board of Directors of  
HumanGood Fresno (dba Terraces at San Joaquin Gardens)  
(a Member of HumanGood)

### **Report on the Continuing Care Liquid Reserve Schedules**

We have audited the accompanying continuing care liquid reserve schedules, Form 5-1 through Form 5-5 (the Schedules) of HumanGood Fresno (dba Terraces at San Joaquin Gardens) (a Member of HumanGood) (the Corporation), which comprise the continuing care liquid reserve schedules, as of and for the year ended December 31, 2019, and the related note.

### ***Management's Responsibility for the 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.

### ***Auditors' 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 whether the Schedules are free of 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 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 Note 1 to the Schedules, which describes 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 of accounting 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.

***Restriction on Use***

Our report is intended solely for the information and use of management and the board of directors of the Corporation and the State of California, Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the Schedules, as a whole. The accompanying supplementary information on pages 9 through 13 is presented for the purpose of additional analysis and is 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 accounting 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.

*Baker Tilly Virchow Krause, LLP*

Philadelphia, Pennsylvania  
May 5, 2020

**HumanGood Fresno (dba Terraces at San Joaquin Gardens)**  
**(a Member of HumanGood)**

Form 5-1 Long-Term Debt Incurred in a Prior Fiscal Year (Including Balloon Debt)  
 Year Ended December 31, 2019

**FORM 5-1**

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Principal Paid During Fiscal Year	Interest Paid During Fiscal Year	Credit Enhancement Premiums Paid in Fiscal Year	Total Paid (columns (b) + (c) + (d))
1	09/26/12	\$ 675,000	\$ 2,717,000	\$ -	\$ 3,392,000
2	10/1/2012 Sub A	\$ -	\$ 722,000	\$ -	\$ 722,000
3	10/1/2012 Sub B	\$ -	\$ 178,000	\$ -	\$ 178,000
4					
5					
6					
7					
8					
		<b>TOTAL:</b>	<b>\$ 3,617,000</b>	<b>\$ -</b>	<b>\$ 4,292,000</b>

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

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

**HumanGood Fresno (dba Terraces at San Joaquin Gardens)**  
**(a Member of HumanGood)**

Form 5-2 Long-Term Debt Incurred During Fiscal Year (Including Balloon Debt)  
 Year Ended December 31, 2019

**FORM 5-2**

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Total Interest Paid During Fiscal Year	Amount of Most Recent Payment on the Debt	Number of Payments Over Next 12 Months	Reserve Requirement (see instruction 5) (columns (c) x (d))
1					
2					
3					
4					
5					
6					
7					
8					
<b>TOTAL:</b>		\$ -	\$ -	\$ -	\$ -

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

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

**PROVIDER:** HumanGood Fresno (dba Terraces at San Joaquin Gardens) (a Member of HumanGood)

**HumanGood Fresno (dba Terraces at San Joaquin Gardens)**  
**(a Member of HumanGood)**

Form 5-3 Calculation of Long-Term Debt Reserve Amount  
Year Ended December 31, 2019

		<b>FORM 5-3</b>	<b>TOTAL</b>
1	Total from Form 5-1 bottom of Column (e)		\$ 4,292,000
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)		\$ 148,000
4		<b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<b>\$ 4,440,000</b>

**PROVIDER:** HumanGood Fresno (dba Terraces at San Joaquin Gardens) (a Member of HumanGood)

**HumanGood Fresno (dba Terraces at San Joaquin Gardens)**  
**(a Member of HumanGood)**

Form 5-4 Calculation of Net Operating Expenses  
 December 31, 2019

**FORM 5-4**

Line		Amounts	TOTAL
1	Total operating expenses from combining financial statements		\$ 31,303,000
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$ 3,617,000	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$ -	
	c. Depreciation	\$ 4,501,000	
	d. Amortization	\$ -	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$ 8,936,000	
	f. Extraordinary expenses approved by the Department	\$ -	
3	Total Deductions		\$ 17,054,000
4	Net Operating Expenses		\$ 14,249,000
5	Divide Line 4 by 365 and enter the result.		\$ 39,000
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.		<u>\$ 2,925,000</u>

**PROVIDER:** HumanGood Fresno (dba Terraces at San Joaquin Gardens) (a Member of HumanGood)



**HumanGood Fresno (dba Terraces at San Joaquin Gardens)**  
**(a Member of HumanGood)**

Form 5-5 Annual Reserve Certification  
 Year Ended December 31, 2019

Provider Name: HumanGood Fresno (dba Terraces at San Joaquin Gardens) (a Member of HumanGood)  
 Fiscal Year Ended: 12/31/2019

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2019 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited combined financial statements for the fiscal year 2019 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$ <u>4,440,000</u>
[2] Operating Expense Reserve Amount	\$ <u>2,925,000</u>
[3] <b>Total Liquid Reserve Amount:</b>	<b>\$ <u>7,365,000</u></b>

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

<u>Qualifying Asset Description</u>	<u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	\$ <u>2,085,000</u>	\$ <u>6,253,000</u>
[5] Investment Securities	\$ <u>3,871,000</u>	\$ <u>11,613,000</u>
[6] Equity Securities	\$ <u>-</u>	\$ <u>-</u>
[7] Unused/Available Lines of Credit	\$ <u>-</u>	\$ <u>-</u>
[8] Unused/Available Letters of Credit	\$ <u>-</u>	\$ <u>-</u>
[9] Debt Service Reserve	\$ <u>4,582,000</u>	(not applicable)
[10] Other:	\$ <u>-</u>	\$ <u>-</u>
<hr/>		
(describe qualifying asset)		
<b>Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]</b>	<b>\$ <u>10,538,000</u></b>	<b>[12] \$ <u>17,866,000</u></b>
<b>Reserve Obligation Amount: [13]</b>	<b>\$ <u>4,440,000</u></b>	<b>[14] \$ <u>2,925,000</u></b>
<b>Surplus/(Deficiency): [15]</b>	<b>\$ <u>6,098,000</u></b>	<b>[16] \$ <u>14,941,000</u></b>

DocuSigned by:

*Andy McDonald*

9494F7DFEBE3412...  
 (Authorized Representative)

Date: 5/5/2020

Chief Financial Officer  
 (Title)

**HumanGood Fresno (dba Terraces at San Joaquin Gardens)  
(a Member of HumanGood)**

---

Note to Continuing Care Liquid Reserve Schedules  
December 31, 2019

**1. Basis of Accounting**

The accompanying continuing care liquid reserve schedules 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 HumanGood Fresno (dba Terraces at San Joaquin Gardens') assets, liabilities, revenues and expenses.

**HumanGood Fresno (dba Terraces at San Joaquin Gardens)**  
**(a Member of HumanGood)**

---

Attachment I to Form 5-1 and 5-2: Interest Paid During Fiscal Year  
State of California, Department of Social Services  
December 31, 2019

<u>Description</u>	<u>Amount</u>
Cash Paid for Interest per Audited Combined Financial Statements	\$ 3,624,000
DSS exclusions:	
Loan fees	<u>(7,000)</u>
DSS Cash Paid for Interest: Form 5-1 & 5-2 Column C	<u>\$ 3,617,000</u>

**HumanGood Fresno (dba Terraces at San Joaquin Gardens)**  
**(a Member of HumanGood)**

---

Attachment I to Form 5-4: Operating Expenses From Combining Financial Statements  
State of California, Department of Social Services  
Year Ended December 31, 2019

Total operating expenses from combining financial statements as reported	\$ 22,419,000
Add:	
Depreciation	4,501,000
Mortgage interest	<u>4,383,000</u>
<b>Total for Line 1</b>	<b><u><u>\$ 31,303,000</u></u></b>

**HumanGood Fresno (dba Terraces at San Joaquin Gardens)**  
**(a Member of HumanGood)**

Attachment II to Form 5-4: Deductions From Operating Expenses  
 State of California, Department of Social Services  
 Year Ended December 31, 2019

Line	Description	
2e	<b>Total Cash Received During the Fiscal Year for Services to Residents Who Did Not Have a Continuing Care Contract</b>	
Sum of (A)	Monthly fees, private (noncontract)	\$ 7,564,000
(B)	Monthly fees, wellness, private (noncontract)	8,000
(C)	Laboratory, private (noncontract)	134,000
(D)	Therapy, private (noncontract)	903,000
(E)	Chargeable supplies, private (noncontract)	4,000
(F)	Drugs, private (noncontract)	604,000
(H)	Change in accounts receivable (noncontract)	<u>(281,000)</u>
	Total for line 2e	<u>\$ 8,936,000</u>
	<b>Residential Living Fees Reconciliations</b>	
(A)	Monthly fees, private (noncontract)	<u>\$ 205,000</u>
	Total (noncontract)	205,000
	Contract	<u>10,811,000</u>
	Total residential living fees	<u>\$ 11,016,000</u>
	<b>Assisted Living Fees Reconciliation</b>	
(A)	Monthly fees, private (noncontract)	<u>\$ 1,508,000</u>
	Total (noncontract)	1,508,000
	Contract	<u>2,427,000</u>
	Total assisted living fees	<u>\$ 3,935,000</u>
	<b>Health Center Fees Reconciliation</b>	
(A)	Monthly fees, private (noncontract)	\$ 5,622,000
(C)	Laboratory, private (noncontract)	134,000
(D)	Therapy, private (noncontract)	903,000
(H)	Change in accounts receivable (noncontract)	(281,000)
(E)	Chargeable supplies, private (noncontract)	4,000
(F)	Drugs, private (noncontract)	<u>604,000</u>
	Total (noncontract)	6,986,000
	Contract	<u>777,000</u>
	Total health center fees	<u>\$ 7,763,000</u>
	<b>Memory Support Reconciliation</b>	
(A)	Monthly fees, private (noncontract)	<u>\$ 229,000</u>
	Total (noncontract)	229,000
	Contract	<u>1,679,000</u>
	Total memory support fees	<u>\$ 1,908,000</u>
	<b>Other Resident Services Reconciliation</b>	
(B)	Monthly fees, wellness, private (noncontract)	<u>\$ 8,000</u>
	Total (noncontract)	8,000
	Contract	<u>3,000</u>
	Total other residential services revenue	<u>\$ 11,000</u>
	<b>Total Cash Received for Resident Services</b>	<u>\$ 24,633,000</u>
	<b>Cash Received for Resident Services per the Audited Combined Financial Statements</b>	<u>\$ 24,633,000</u>

**HumanGood Fresno (dba Terraces at San Joaquin Gardens)**  
**(a Member of HumanGood)**

Attachment I to Form 5-5: Schedule of Qualifying Assets - Debt Service Reserve and Operating Reserve  
State of California, Department of Social Services  
Year Ended December 31, 2019

**Qualifying Assets**

Cash and cash equivalents, debt service reserve	\$ 2,085,000
Cash and cash equivalents, operating reserve	<u>6,253,000</u>

Total cash and cash equivalents from combining financial statements	<u><u>\$ 8,338,000</u></u>
---	----------------------------

Investments, debt service reserve	\$ 3,871,000
Investments, operating reserve	<u>11,613,000</u>

Total cash and cash equivalents from combining financial statements	<u><u>\$ 15,484,000</u></u>
---	-----------------------------

**Debt Service Reserve Reconciliation**

Total restricted investments from combining financial statements	\$ 4,607,000
Less:	
2012 Series Project Funds - US Bank #200523016	<u>25,000</u>

Subtotal	4,582,000
----------	-----------

Cash and cash equivalents, debt service reserve	2,085,000
Investments, debt service reserve	<u>3,871,000</u>

Total listed for debt service reserve	<u><u>\$ 10,538,000</u></u>
---------------------------------------	-----------------------------

**HumanGood Fresno (dba Terraces at San Joaquin Gardens)**  
**(a Member of HumanGood)**

---

Form 5-5 Supplemental Schedule: Per Capita Cost of Operations  
Year Ended December 31, 2019

**Per Capita Cost of Operations**

Operating Expenses (Form 5-4, Line 1)	\$ 31,303,000
Mean Number of CCRC Residents	<u>361</u>
Per Capita Cost of Operations	<u><u>\$ 86,712</u></u>