

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

Continuing Care Liquid Reserve Schedules
and Supplementary Information

December 31, 2018

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

Table of Contents
December 31, 2018

	<u>Page</u>
Independent Auditor's Report	1
Continuing Care Liquid Reserve Schedules	
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
Supplementary Information	
Attachment I to Form 5-1 and 5-2: Interest Paid During Fiscal Year	9
Attachment I to Form 5-4: Operating Expenses from Financial Statements	10
Attachment III to Form 5-4: Deductions from Operating Expenses	11
Attachment I to Form 5-5: (Quarterly Reserve Certification) Schedule of Qualifying Assets - Debt Service Reserve	12
Form 5-5 Supplemental Schedule: Description of Reserves Under SB 1212	13
Form 5-5 Supplemental Schedule: Per Capita Cost of Operations	14

Independent Auditor's 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), which comprise the continuing care liquid reserve schedules, as of and for the year ended December 31, 2018, 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.

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 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 HumanGood Fresno (dba Terraces at San Joaquin Gardens) as of and for the year ended December 31, 2018, 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 HumanGood Fresno (dba Terraces at San Joaquin Gardens) 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.

Other Matter

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 14 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.

Restriction on Use

Our report is intended solely for the information and use of HumanGood Fresno (dba Terraces at San Joaquin Gardens) 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.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
April 30, 2019

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, 2018

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	\$ 640,000	\$ 2,750,000	\$ -	\$ 3,390,000
2					
3					
4					
5					
6					
7					
8					
TOTAL:			\$ 2,750,000	\$ -	\$ 3,390,000

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

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)
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Form 5-2 Long-Term Debt Incurred During Fiscal Year (Including Balloon Debt)
Year Ended December 31, 2018

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

**HumanGood Fresno (dba Terraces at San Joaquin Gardens)
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Form 5-3 Calculation of Long-Term Debt Reserve Amount
Year Ended December 31, 2018

		FORM 5-3	TOTAL
1	Total from Form 5-1 bottom of Column (e)		<u>\$ 3,390,000</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>\$ 77,000</u>
4		TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	<u><u>\$ 3,467,000</u></u>

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

HumanGood Fresno (dba Terraces at San Joaquin Gardens)
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Form 5-4 Calculation of Net Operating Expenses
 December 31, 2018

		FORM 5-4	Amounts	TOTAL
1	Total operating expenses from financial statements			\$ 29,998,000
2	Deductions:			
	a. Interest paid on long-term debt (see instructions)		\$ 2,750,000	
	b. Credit enhancement premiums paid for long-term debt (see instructions)		\$ -	
	c. Depreciation		\$ 4,590,000	
	d. Amortization		\$ -	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract		\$ 4,093,000	
	f. Extraordinary expenses approved by the Department		\$ -	
3	Total Deductions			\$ 11,433,000
4	Net Operating Expenses			\$ 18,565,000
5	Divide Line 4 by 365 and enter the result.			\$ 50,863
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.			<u>\$ 3,814,726</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, 2018

Provider Name: HumanGood Fresno (dba Terraces at San Joaquin Gardens) (a Member of HumanGood)
Fiscal Year Ended: 12/31/2018

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2018 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 2018 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$ 3,467,000
[2] Operating Expense Reserve Amount	\$ 3,814,726
[3] Total Liquid Reserve Amount:	\$ 7,281,726

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

<u>Qualifying Asset Description</u>	(market value at end of quarter)	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	\$ -	\$ 7,815,000
[5] Investment Securities	\$ -	\$ 12,055,000
[6] Equity Securities	\$ -	\$ -
[7] Unused/Available Lines of Credit	\$ -	\$ -
[8] Unused/Available Letters of Credit	\$ -	\$ -
[9] Debt Service Reserve	\$ 4,438,000	(not applicable)
[10] Other:	\$ -	\$ -
<hr/>		
(describe qualifying asset)		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	\$ 4,438,000 [12]	\$ 19,870,000
Reserve Obligation Amount: [13]	\$ 3,467,000 [14]	\$ 3,814,726
Surplus/(Deficiency): [15]	\$ 971,000 [16]	\$ 16,055,274

Signature:



(Authorized Representative)

Date: 4/30/19

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, 2018

1. Basis of Accounting

The accompanying 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)'s assets, liabilities, revenues, and expenses.

**HumanGood Fresno (dba Terraces at San Joaquin Gardens)
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Attachment I to Form 5-1 and 5-2: Interest Paid During Fiscal Year
State of California - Department of Social Services
December 31, 2018

Description	Amount
Cash Paid for Interest per Audited Financial Statements	\$ 2,740,000
DSS exclusions:	
Loan Fees	(68,000)
Amortization of bond issuance costs and premiums	<u>78,000</u>
DSS Cash Paid For Interest: Form 5-1 & 5-2 Column C	<u><u>\$ 2,750,000</u></u>

HumanGood Fresno (dba Terraces at San Joaquin Gardens)
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Attachment I to Form 5-4: Operating Expenses from Financial Statements
State of California, Department of Social Services
Year Ended December 31, 2018

Total operating expenses from financial statements as reported	\$ 21,266,000
Add:	
Depreciation	4,590,000
Mortgage interest	<u>4,142,000</u>
Total for Line 1	<u>\$ 29,998,000</u>

HumanGood Fresno (dba Terraces at San Joaquin Gardens)
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Attachment II to Form 5-4: Deductions from Operating Expenses
 State of California, Department of Social Services
 Year Ended December 31, 2018

Line	Description		
2e	Total Revenues received during the fiscal year for services to resident who did not have a continuing care contract		
Sum of (A)	Monthly Fees, Private (Noncontract)	\$	3,395,000
Sum of (D)	Monthly Fees, Wellness, Private (Noncontract)		690,000
(I)	Laboratory, Private (Noncontract)		1,000
(F)	Physical Therapy, Private (Noncontract)		3,000
(G)	Occupational Therapy, Private (Noncontract)		3,000
(C)	Drugs, Private (Noncontract)		1,000
	Total for Line 2e	\$	4,093,000
	Residential Living Fees Reconciliations		
(A)	Monthly Fees, Private (Noncontract)	\$	219,000
	Total (Noncontract)		219,000
	Contract		9,818,000
	Total Residential Living Fees	\$	10,037,000
	Assisted Living Fees Reconciliation		
(A)	Monthly Fees, Private (Noncontract)	\$	1,020,000
(D)	Monthly Fees, Wellness, Private (Noncontract)		561,000
	Total (Noncontract)		1,581,000
	Contract		2,109,000
	Total Assisted Living Fees	\$	3,690,000
	Health Center Fees Reconciliation		
(A)	Monthly Fees, Private (Noncontract)	\$	1,941,000
(I)	Laboratory, Private (Noncontract)		1,000
(F)	Physical Therapy, Private (Noncontract)		3,000
(G)	Occupational Therapy, Private (Noncontract)		3,000
(C)	Drugs, Private (Noncontract)		1,000
	Total (Noncontract)		1,949,000
	Contract		5,838,000
	Total Health Center Fees Reconciliation	\$	7,787,000
	Memory Support Reconciliation		
(A)	Monthly Fees, Private (Noncontract)	\$	215,000
(D)	Monthly Fees, Wellness, Private (Noncontract)		129,000
	Total (Noncontract)		344,000
	Contract		1,570,000
	Total Memory Support Fees	\$	1,914,000
	Other Resident Services Reconciliation		
	Contract	\$	186,000
	Total Other Residential Services Revenue	\$	186,000

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Attachment I to Form 5-5: (Quarterly Reserve Certification) Schedule of Qualifying Assets - Debt Service Reserve
State of California, Department of Social Services
Year Ended December 31, 2018

Debt Service Reserve Reconciliation

Total restricted investments from the financial statements as reported	\$ 4,463,000
Less:	
2012 Series Project Funds - US Bank #200523016	<u>25,000</u>
Total listed for debt service reserve obligation	<u>\$ 4,438,000</u>

HumanGood Fresno (dba Terraces at San Joaquin Gardens)
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Form 5-5 Supplemental Schedule: Description of Reserves Under SB 1212

Year Ended December 31, 2018

Total Qualifying Assets as Filed:

Comments in Consistency with Tax Exempt Status Under AB 1169

Cash and cash equivalents	\$ 7,815,000
Unrestricted investment securities	<u>12,055,000</u>
Total qualifying assets as filed:	<u>19,870,000</u>

Reservations and Designations:

Designated for working capital	<u>19,870,000</u>
Total reservations and designations:	<u>19,870,000</u>
Remaining liquid reserves	<u>\$ -</u>

All liquid investments are designated for working capital in support of the operations of HumanGood Fresno (dba Terraces at San Joaquin Gardens).

HumanGood Fresno (dba Terraces at San Joaquin Gardens)
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Form 5-5 Supplemental Schedule: Per Capita Cost of Operations
Year Ended December 31, 2018

Per Capita Cost of Operations

Operating expenses (Form 5-4, line 1)	\$	29,998,000
Mean Number of CCRC Residents		346
Per Capita Cost of Operations	\$	86,699