

**NORTHERN CALIFORNIA CONGREGATIONAL  
RETIREMENT HOMES, INC.  
AND SUPPORTING ORGANIZATION**

**REPORT OF INDEPENDENT AUDITOR'S  
with  
CONTINUING CARE LIQUID  
RESERVE SCHEDULES**

**DECEMBER 31, 2019**

**McGILLOWAY, RAY, BROWN & KAUFMAN  
ACCOUNTANTS & CONSULTANTS**

## CONTENTS

	<u>Page</u>
Report of Independent Auditor's	1
Continuing Care Liquid Reserve Schedules	
Form 5-1, Long-Term Debt Incurred in 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



McGilloway | Ray  
Brown | Kaufman  
ACCOUNTANTS AND CONSULTANTS

2511 Garden Road  
Suite A180  
Monterey, CA 93940  
831-373-3337  
Fax 831-373-3437

379 West Market Street  
Salinas, CA 93901  
831-424-2737  
Fax 831-424-7936

3478 Buskirk Avenue  
Suite A1000  
Pleasant Hill, CA 94523  
831-373-3337  
Fax 831-373-3437

## REPORT OF INDEPENDENT AUDITOR'S

Board of Directors  
Northern California Congregational  
Retirement Homes, Inc. and  
Supporting Organization  
Carmel, California

We have audited the accompanying consolidated financial statements of Northern California Congregational Retirement Homes, Inc. and Supporting Organization which comprise the continuing care reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended December 31, 2019, and the related note to the financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements 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 consolidated financial statements 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 consolidated financial statements, 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 consolidated financial statements 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 consolidated financial statements.

Gerald C. Ray, CPA | Patricia M. Kaufman, CPA, CGMA | Jesus Montemayor, CPA | Smriti Shrestha, CPA

Sarita C. Shannon, CPA | Whitney Ernest, CPA | Devvyn MacBeth, CPA | Sukhdev Singh, CPA |  
Laura Armbruster, CPA | Rose Maxwell, CPA

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 consolidated financial statements referred to above presents fairly, in all material respects, the continuing care reserve of Northern California Congregational Retirement Homes, Inc and Supporting Organization 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 the basis of accounting used to prepare the consolidated financial statements. The consolidated financial statements are prepared by Northern California Congregational Retirement Homes, Inc. and Supporting Organization on the basis of the liquid reserve requirements of the 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 consolidated financial statements as a whole. The accompanying supplementary schedule to Form 5-1, Reconciliation to Audit Report, Supplementary Schedule to Form 5-5, Reconciliation to Audit Report, and Supplementary Schedule Refund Reserves Memorandum, are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respected in relation to the consolidated financial statements taken as a whole.

### **Restriction on Use**

Our report is intended solely for the information and use of Board of Directors and management of Northern California Congregational Retirement Homes, Inc and Supporting 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.



McGilloway, Ray, Brown & Kaufman  
Salinas, California  
April 27, 2020

**CONTINUING CARE LIQUID RESERVE SCHEDULES**

**NORTHERN CALIFORNIA CONGREGATIONAL  
RETIREMENT HOMES, INC. AND SUPPORTING ORGANIZATION**

Form 5-1

**LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR (INCLUDING BALLOON DEBT)  
DECEMBER 31, 2019**

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	12/28/11	\$ 132,258	\$ 162,690	\$ -	\$ 294,948
2					
3					
4					
5					
<b>TOTAL</b>			\$ 162,690	\$ -	\$ 294,948

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

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

**PROVIDER:** Northern California Congregational Retirement Homes, Inc.

**NORTHERN CALIFORNIA CONGREGATIONAL  
RETIREMENT HOMES, INC. AND SUPPORTING ORGANIZATION**

Form 5-2

**LONG-TERM DEBT INCURRED DURING FISCAL YEAR  
DECEMBER 31, 2019**

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 over next 12 months	(e) 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:** Northern California Congregational Retirement Homes, Inc.

**NORTHERN CALIFORNIA CONGREGATIONAL  
RETIREMENT HOMES, INC. AND SUPPORTING ORGANIZATION**

Form 5-3

**CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT  
DECEMBER 31, 2019**

<b>Line</b>	<b>TOTAL</b>
1 Total from Form 5-1 bottom of Column (e)	\$ 294,948
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 <b>Total Amount Required For Long-Term Debt Reserve</b>	<b>\$ 294,948</b>

**PROVIDER:** Northern California Congregational Retirement Homes, Inc.



**NORTHERN CALIFORNIA CONGREGATIONAL  
RETIREMENT HOMES, INC. AND SUPPORTING ORGANIZATION**

Form 5-4

**CALCULATION OF NET OPERATING EXPENSES  
DECEMBER 31, 2019**

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$ 17,897,945
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$ 162,690
b.	Credit enhancement premiums paid for long-term debt (see instructions)	-
c.	Depreciation	2,484,481
d.	Amortization	-
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	253,515
f.	Extraordinary expenses approved by the Department	-
3	Total Deductions	2,900,686
4	Net Operating Expenses	14,997,259
5	Divide Line 4 by 365 and enter the result	41,088
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount	<b>\$ 3,081,600</b>

**PROVIDER:** Northern California Congregational Retirement Homes, Inc.

**COMMUNITY:** Carmel Valley Manor

**NORTHERN CALIFORNIA CONGREGATIONAL  
RETIREMENT HOMES, INC. AND SUPPORTING ORGANIZATION**

Form 5-5

**ANNUAL RESERVE CERTIFICATION  
DECEMBER 31, 2019**

Provider Name: Northern California Congregational Retirement Homes, Inc.

Fiscal Year Ended: December 31, 2019

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

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

	<b>Amount</b>
[1] Debt Service Reserve Amount	\$ 294,948
[2] Operating Expense Reserve Amount	3,081,600
[3] <b>Total Liquid Reserve Amount</b>	<b>\$ 3,376,548</b>

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

	<b>Amount (market value at end of quarter)</b>	
<b>Qualifying Asset Description</b>	<b>Debt Service Reserve</b>	<b>Operating Reserve</b>
[4] Cash and Cash Equivalents	\$ 294,948	\$ 9,719,110
[5] Investment Securities	-	13,510,606
[6] Equity Securities	-	-
[7] Unused/Available Lines of Credit	-	-
[8] Unused/Available Letters of Credit	-	-
[9] Debt Service Reserve	-	-
[10] Other:	-	-
Total Amount of Qualifying Assets Listed For		
Reserve Obligation	[11] 294,948	[12] 23,229,716
Reserve Obligation Amount	[13] 294,948	[14] 3,081,600
<b>Surplus/(Deficiency)</b>	[15] \$ -	[16] \$ 20,148,116

Signature: \_\_\_\_\_

(Authorized Representative)

Date: 4/27/2020

President and Chief Executive Officer

(Title)

**NORTHERN CALIFORNIA CONGREGATIONAL  
RETIREMENT HOMES, INC. AND SUPPORTING ORGANIZATION  
NOTE TO CONTINUING CARE LIQUID RESERVE SCHEDULES  
DECEMBER 31, 2019**

**NOTE 1 – BASIS OF ACCOUNTING**

The accompanying continuing care liquid reserve schedules have been prepared in accordance with the provisions of the California Health and Safety Section 1972 administered by the State of California Department of Social Services and are not intended to be a complete presentation of Northern California Congregational Retirement Homes, Inc. and Supporting Organization, assets, liabilities, revenues, and expenses.