

**SOLVANG LUTHERAN HOME, INC.**

**AND AFFILIATE**

**DECEMBER 31, 2021**

SCHEDULES RELATED TO  
CONTINUING CARE RESERVES



**BARTLETT, PRINGLE & WOLF, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS



**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors of  
Solvang Lutheran Home, Inc.:**

**Opinion**

We have audited the accompanying continuing care reserves report of Solvang Lutheran Home, Inc. and Affiliate (the Home) as of December 31, 2021. In our opinion, the continuing care reserves report referred to above presents fairly, in all material respects, the liquid reserve requirements of Solvang Lutheran Home, Inc. and Affiliate as of December 31, 2021, in accordance with the financial report preparation provisions 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 Reserves Report section of our report. We are required to be independent of the Home and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Basis of Accounting**

The accompanying continuing care reserves report was prepared for the purpose of complying with California Health and Safety Code section 1792 and is not intended to be a complete presentation of the Home's assets, liabilities, revenues and expenses.

**Responsibilities of Management for the Report**

Management is responsible for the preparation and fair presentation of the continuing care reserves report in accordance with the financial report preparation provisions 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 continuing care reserves report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibilities for the Audit of the Continuing Care Reserves Report**

Our objectives are to obtain reasonable assurance about whether the continuing care

reserves report as a whole is 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 Continuing Care Reserves Report.

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 continuing care reserves report, 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 continuing care reserves report.
- 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 Home'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 continuing care reserves report.

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.

#### **Other-Matter Paragraph - Restriction on Use**

Our report is intended solely for the information and use of the Board of Directors and management of Solvang Lutheran Home, Inc. and Affiliate and for filing with the California Department of Social Services and is not intended to be and should not be used by anyone other than these specified parties.

*Bartlett, Prungh + Wolf, LLP*

Santa Barbara, California

May 25, 2022

**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	07/17/14	\$105,000	\$17,938		\$222,938
2	07/17/14	\$172,624	\$263,960		\$436,584
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>			\$381,898	\$0	\$659,522

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

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

**PROVIDER:** Solvang Lutheran Home, Inc.

**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 over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>		\$0	\$0	0	\$0

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

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

**PROVIDER:** Solvang Lutheran Home, Inc.

FORM 5-3  
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line	TOTAL
1 Total from Form 5-1 bottom of Column (e)	\$659,522
2 Total from Form 5-2 bottom of Column (e)	\$0
3 Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$0
4 <b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<b>\$659,522</b>

PROVIDER: Solvang Lutheran Home, Inc.

FORM 5-4  
CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$13,975,157
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$381,898
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$0
	c. Depreciation	\$1,285,735
	d. Amortization	\$0
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$4,795,434
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$6,463,067
4	Net Operating Expenses	\$7,512,090
5	Divide Line 4 by 365 and enter the result.	\$20,581
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.	\$1,543,580

PROVIDER: Solvang Lutheran Home, Inc.

COMMUNITY: Solvang Lutheran Home

FORM 5-5  
ANNUAL RESERVE CERTIFICATION

Provider Name: Solvang Lutheran Home, Inc.  
 Fiscal Year Ended: 31-Dec-21

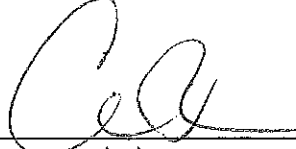
We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2021 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 12/31/2021 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$659,522
[2] Operating Expense Reserve Amount	\$1,543,580
[3] Total Liquid Reserve Amount:	\$2,203,102

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	\$0	\$2,154,532
[5] Investment Securities	\$0	\$85,743
[6] Equity Securities	\$60,815	\$10,100,146
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve	\$598,707	(not applicable)
[10] Other: <u> </u> <u> </u> <u> </u> (describe qualifying asset)		
<b>Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]</b>	<b>\$659,522 [12]</b>	<b>\$12,340,421</b>
<b>Reserve Obligation Amount: [13]</b>	<b>\$659,522 [14]</b>	<b>\$1,543,580</b>
<b>Surplus/(Deficiency): [15]</b>	<b>\$0 [16]</b>	<b>\$10,796,841</b>

Signature:   
 (Authorized Representative)

Date: June 16, 2022

Executive Director  
 (Title)



Solvang Lutheran Home  
Continuing Care Reserve Report  
December 31, 2021

Form 5-1, Column c

Interest paid - Form 5-1 column c	\$ 381,898
Interest capitalized to construction in progress, presented on the Statement of Cash Flows as facilities and equipment purchases	<u>(64,195)</u>
<b>Interest paid per Statement of Cash Flows</b>	<b>317,703</b>
Change in accrued interest	(1,938)
Amortization of debt issuance costs	15,115
Amortization of bond premium	<u>(563)</u>
Interest expense related to debt incurred in prior fiscal years	<u>330,317</u>
<b>Total interest expense per audited financial statements</b>	<b><u><u>\$ 330,317</u></u></b>

Solvang Lutheran Home  
 Continuing Care Reserve Report  
 December 31, 2021

Form 5-4, Line 2E: Revenues received during the fiscal year for services to persons  
 who did not have a continuing care contract

Cash received from residents, per statement of cash flows	\$ 11,544,746
Reimbursements for services to non-residents, per statement of cash flows	23,334
Cash received from community programs, per statement of cash flows	<u>288,636</u>
Total cash received for services	11,856,716
Cash received from persons with continuing care contracts	<u>(7,061,282)</u>
Total revenue received for services to persons who did not have a continuing care contract-per Form 5-4, line 2E	<u><u>\$ 4,795,434</u></u>

Total revenue received for services to persons who did not have a  
 continuing care contract is comprised of the following:

Guest meals	\$ 7,425
Guest room rental	3,570
Room and board for non-contract residents	4,483,464
Food revenue from community organizations	288,636
Employee meals	<u>12,339</u>
Total revenue received for services to persons who did not have a continuing care contract-per Form 5-4, line 2E	<u><u>\$ 4,795,434</u></u>

Solvang Lutheran Home  
 Continuing Care Reserve Report  
 December 31, 2021

Form 5-5, Description and Amount of Reserves Maintained

Operating Reserve:

Cash and cash equivalents:

Cash and equivalents, undesignated -Statement of Financial Position	\$2,143,965
Money market funds classified as investments per Statement of Financial Position	<u>10,567</u>
Cash and cash equivalents - Form 5-5	2,154,532

Investment Securities:

Fixed Income securities	85,743
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Equity Securities:

Exchange traded funds	4,329,362
Mutual funds	5,656,660
Common stocks	<u>114,124</u>
Total operating reserve	<u>\$12,340,421</u>

Debt Service Reserve:

Cash and cash equivalents:

Certificate reserve fund held by trustee	224,823
Purchase payment fund held by trustee	111,876
Cash deposits - USDA reserve funds	262,008

Equity Securities:

Exchange traded funds	<u>60,815</u>
Total debt service reserve	659,522

Donor Restricted Funds:

Cash and cash equivalents	<u>\$51,693</u>
Total donor restricted funds	\$51,693

Total Reserves Maintained	<u><u>\$13,051,636</u></u>
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Per Capita Cost of Operations

Total operating expenses	\$ 13,975,157
Mean number of all residents	<u>136</u>
	<u><u>\$ 102,759</u></u>