

SOLVANG LUTHERAN HOME, INC.

AND AFFILIATE

DECEMBER 31, 2022

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, 2022. 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, 2022, 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, Pringh + Wolf, LLP
Santa Barbara, California
May 23, 2023

FORM 5-1: LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR (INCLUDING BALLOON DEBT)

	(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	\$110,000	\$113,737		\$223,737
2	07/17/14	\$182,614	\$253,970		\$436,584
3					
4					
5					
6					
7					
8					
TOTAL:			\$367,707		\$660,321

(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 LUTERHAN 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 Part 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: SOLVANG LUTHERAN HOME, INC.

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

Line	TOTAL
1	\$660,321
Total from Form 5-1 bottom of Column (e)	
2	\$0
Total from Form 5-2 bottom of Column (e)	
3	\$0
Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE: \$660,321

PROVIDER: SOLVANG LUTHERAN HOME, INC.

FORM 5-4: CALCULATION OF NET OPERATING EXPENSES

Line	Description	Amounts	TOTAL
1	Total operating expenses from financial statements		\$15,135,407
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	\$367,707	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$0	
c.	Depreciation	\$1,288,601	
d.	Amortization	\$0	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$6,407,128	
f.	Extraordinary expenses approved by the Department	\$0	
3	Total Deductions		\$8,063,436
4	Net Operating Expenses		\$7,071,971
5	Divide Line 4 by 365 and enter the result		\$19,375
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount		\$1,453,145

PROVIDER: SOLVANG LUTHERAN HOME, INC.
COMMUNITY: ATTERDAG VILLAGE OF SOLVANG

FORM 5-5: ANNUAL RESERVE CERTIFICATION

Provider Name: SOLVANG LUTHERAN HOME, INC.

Fiscal Year Ended: DECEMBER 31, 2022

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended.

DECEMBER 31, 2022

and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$660,321</u>
[2] Operating Expense Reserve Amount	<u>\$1,453,145</u>
[3] Total Liquid Reserve Amount:	<u>\$2,113,466</u>

Qualifying assets sufficient to fulfill the operating reserve and debt service requirements, based on market value at end of fiscal year were applicable, are held as follows:

Qualifying Asset Description	Debt Service Reserve	Operating Reserve
[4] Cash and Cash Equivalents	<u> </u>	<u>\$794,167</u>
[5] Investment Securities	<u> </u>	<u>\$1,085,477</u>
[6] Equity Securities	<u>\$17,646</u>	<u>\$8,490,636</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>\$642,675</u>	(not applicable)
[10] Other:	<u> </u>	<u> </u>

Qualifying assets used in these reserves are described as follow:

Total Amount of Qualifying Assests

Listed for Reserve Obligation: [11] \$660,321 [12] \$10,370,280

Reserve Obligation Amount: [13] \$660,321 [14] \$1,453,145

Surplus/(Deficiency): [15] \$0 [16] \$8,917,135

Signature:



Date: 5-20-23

(Authorized Representative)

Exec. Director

(Title)

**Solvang Lutheran Home
Continuing Care Reserve Report
December 31, 2022**

Form 5-1, Column c

Interest paid - Form 5-1 column c	\$ 367,707
Interest capitalized to construction in progress, presented on the Statement of Cash Flows as facilities and equipment purchases	<u>(1,840)</u>
Interest paid per Statement of Cash Flows	365,867
Change in accrued interest	2,263
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>382,682</u>
Total interest expense per audited financial statements	<u><u>\$ 382,682</u></u>

**Solvang Lutheran Home
Continuing Care Reserve Report
December 31, 2022**

**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	\$ 12,703,964
Reimbursements for services to non-residents, per statement of cash flows	34,191
Cash received from community programs, per statement of cash flows	<u>315,256</u>
Total cash received for services	13,053,411
Cash received from persons with continuing care contracts	<u>(6,646,283)</u>
Total revenue received for services to persons who did not have a continuing care contract-per Form 5-4, line 2E	<u>\$ 6,407,128</u>

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

Guest meals	\$ 7,902
Guest room rental	13,599
Room and board for non-contract residents	6,057,681
Food revenue from community organizations	315,256
Employee meals	<u>12,690</u>
Total revenue received for services to persons who did not have a continuing care contract-per Form 5-4, line 2E	<u>\$ 6,407,128</u>

**Solvang Lutheran Home
Continuing Care Reserve Report
December 31, 2022**

Form 5-5, Description and Amount of Reserves Maintained

Operating Reserve:

Cash and cash equivalents:	
Cash and equivalents, undesignated -Statement of Financial Position	\$781,259
Money market funds classified as investments per Statement of Financial Position	12,908
Cash and cash equivalents - Form 5-5	<u>794,167</u>
Investment Securities:	
Fixed Income securities	1,085,477
Equity Securities:	
Exchange traded funds	3,263,514
Mutual funds	5,140,122
Common stocks	<u>87,000</u>
Total operating reserve	<u>\$10,370,280</u>

Debt Service Reserve:

Cash and cash equivalents:	
Certificate reserve fund held by trustee	224,823
Purchase payment fund held by trustee	112,176
Cash deposits - USDA reserve funds	305,676
Equity Securities:	
Exchange traded funds	<u>17,646</u>
Total debt service reserve	<u>660,321</u>

Total debt service and operating reserves \$11,030,601

Donor Restricted Funds:

Cash and cash equivalents	<u>\$129,528</u>
Total donor restricted funds	<u>\$129,528</u>

Total Reserves Maintained \$11,160,129

Per Capita Cost of Operations

Total operating expenses	\$ 15,135,407
Mean number of all residents	<u>141</u>
	<u><u>\$ 107,343</u></u>