

MONTECITO RETIREMENT ASSOCIATION

December 31, 2022

SCHEDULES RELATED TO
CONTINUING CARE RESERVES



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



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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Montecito Retirement Association:**

Opinion

We have audited the accompanying continuing care reserves report of Montecito Retirement Association (the Association) 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 Montecito Retirement Association 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 Association 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 Association'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 Association'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 Montecito Retirement Association 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 22, 2023

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	06/22/2017	\$0	\$4,075		\$4,075
2	06/22/2017	\$544,355	\$451,958		\$996,313
3	06/22/2017	\$881,872	\$37,462		\$919,334
4	02/01/2020	\$549,828	\$148,713		\$698,541
5					
6					
7					
8					
TOTAL:			\$642,208		\$2,618,263

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

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

PROVIDER: MONTECITO RETIREMENT ASSOCIATION

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: MONTECITO RETIREMENT ASSOCIATION

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

Line	TOTAL
1	Total from Form 5-1 bottom of Column (e) \$2,618,263
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	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE: \$2,618,263

PROVIDER: MONTECITO RETIREMENT ASSOCIATION

FORM 5-4: CALCULATION OF NET OPERATING EXPENSES

Line	Description	Amounts	TOTAL
1	Total operating expenses from financial statements		\$35,714,026
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	\$642,208	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$0	
c.	Depreciation	\$6,802,436	
d.	Amortization	\$36,640	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$333,929	
f.	Extraordinary expenses approved by the Department	\$0	
3	Total Deductions		\$7,815,213
4	Net Operating Expenses		\$27,898,813
5	Divide Line 4 by 365 and enter the result		\$76,435
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount		\$5,732,633
PROVIDER: MONTECITO RETIREMENT ASSOCIATION			
COMMUNITY: CASA DORINDA			

Provider Name: MONTECITO RETIREMENT ASSOCIATION

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>\$2,618,263</u>
[2] Operating Expense Reserve Amount	<u>\$5,732,633</u>
[3] Total Liquid Reserve Amount:	<u>\$8,350,896</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		\$1,450,775
[5] Investment Securities		
[6] Equity Securities	\$2,417,397	\$17,448,709
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve	\$200,866	(not applicable)
[10] Other:		

Qualifying assets used in these reserves are described as follow:

Total Amount of Qualifying Assests

Listed for Reserve Obligation: [11] \$2,618,263 [12] \$18,899,484Reserve Obligation Amount: [13] \$2,618,263 [14] \$5,732,633Surplus/(Deficiency): [15] \$0 [16] \$13,166,851

Signature:

Date: 5/15/23

(Authorized Representative)



(Title)

**Montecito Retirement Association
Continuing Care Reserve Report
December 31, 2022**

Form 5-1, Column C

Interest paid - Form 5-1 column c	\$ 642,208
Change in accrued interest	<u>(6,943)</u>
Interest expense related to debt incurred in prior fiscal years	<u>635,265</u>
Plus: Amortization of debt issuance costs	<u>36,640</u>
Total interest expense per audited financial statements	<u><u>\$ 671,905</u></u>

Montecito Retirement Association
Continuing Care Reserve Report
December 31, 2022

Form 5-4, Line 2e

Description	Amount
Guest Meal Revenue	\$ 67,916
Meals on Wheels Revenue	270
Employee Lunch Revenue	36,071
Guest Room Revenue	229,672
Form 5-4, line 2e - Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$ 333,929

**Montecito Retirement Association
Continuing Care Reserve Report
December 31, 2022**

Form 5-5, Description and Amount of Reserves Maintained

Debt Service Reserves:

Cash and cash equivalents:	
Principal fund held by trustee	\$ 902
Interest fund held by trustee	199,964
Cash and cash equivalents held by trustee	200,866
Equity securities	2,417,397
Total debt service reserves	\$ 2,618,263

Operating Reserves:

Cash and cash equivalents	\$ 1,450,775
Equity securities	17,408,322
Due (to)/from donor restricted assets	40,387
Total operating reserves	\$ 18,899,484

Restricted Deposits Related to Bliss Expansion

Certificate of deposit reassigned to third party as security	\$ 564,139
Project funds held by trustee	245
Total restricted deposits related to Bliss Expansion	\$ 564,384

Donor Restricted Funds

Cash and cash equivalents	\$ 1,427,416
Equity securities	4,089
Alternative investment funds	325,722
Due (to)/from liquid reserve assets	(40,387)
Total liquid reserves	\$ 1,716,840

Total Reserves Maintained

\$ 23,798,971

Per Capita Cost of Operations

Total operating expenses	\$ 35,714,026
Mean number of all residents	364.0
Total per capita cost of operations	\$ 98,115

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE STATEMENT

Date Prepared: 5/19/2023

Facility Name: CASA DORINDA

Address: 300 HOT SPRINGS ROAD, Zip Code: 93108

Phone: 805-969-8011

Provider Name:

MONTECITO RETIREMENT ASSOCIATION

Facility Operator: N/A

Religious Affiliation: N/A

Year Opened: 1975 # of Acres: 45 Miles to Shopping Center: 15 Miles to Hospital: 8

☐ Single Story
 ☐ Multi-Story
 ☒ Other: BOTH
Number of Units:

Residential Living	Number of Units	Health Care	Number of Units
Apartments – Studio:	13	Assisted Living:	27
Apartments – 1 Bdrm:	118	Skilled Nursing:	52
Apartments – 2 Bdrm:	67	Special Care:	11
Cottages/Houses:	28	Description:	

RLU Occupancy (%) at Year End: 97.4%

Type of Ownership:
☒ Not for Profit
 ☐ For Profit

Accredited?
☒ Yes By: CARF
 ☐ No

Form of Contact:
☐ Continuing Care
 ☒ Life Care
 ☐ Entrance Fee
 ☐ Fee for Service
 (Check all that apply)
 ☐ Assignment of Assets
 ☐ Equity
 ☐ Membership
 ☐ Rental

Refund Provisions:
☐ Refundable
 ☐ 90%
 ☐ 50%
 (Check all that apply)
 ☐ Repayable
 ☐ 75%
 ☒ Other: Prorated to 0%

Range of Entrance Fees: \$249,900 - \$1,678,400

Long-Term Care Insurance Required? ☐ Yes ☒ No

Health Care Benefits Included in Contract: Skilled nursing, assisted living, clinical services

Entry Requirements: Min Age: 62 Prior Profession: N/A Other: N/A

Resident Representative(s) to, and Resident Members on, the Board:

(briefly describe provider's compliance and residents' roles): There is one resident member with voting rights and four resident representatives on the Board, including the Council President, and chairs of the Resident Finance, Medical, and Operations committees.

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

Facility Services and Amenities

Common Area Amenities	Available	Fee for Service	Services Available	Included in Fee	For Extra Charge
Beauty/Barber Shop	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Housekeeping (<u>4</u> Times/	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Billiard Room	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Month at \$_____each)		
Bowling Green	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Meals (<u>3</u> /Day)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Card Rooms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Special Diets Available	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Chapel	<input type="checkbox"/>	<input type="checkbox"/>			
Coffee Shop	<input type="checkbox"/>	<input type="checkbox"/>	24-Hour Emergency Response	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Craft Rooms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Activities Program	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Exercise Room	<input checked="" type="checkbox"/>	<input type="checkbox"/>	All Utilities Except Phone	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Golf Course Access	<input type="checkbox"/>	<input type="checkbox"/>	Apartment Maintenance	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Library	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cable TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Putting Green	<input type="checkbox"/>	<input type="checkbox"/>	Linens Furnished	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Shuffleboard	<input type="checkbox"/>	<input type="checkbox"/>	Linens Laundered	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Spa	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Medication Management	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Swimming Pool –	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Nursing/Wellness Clinic	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Indoor			Personal Home Care	<input type="checkbox"/>	<input type="checkbox"/>
Swimming Pool –	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Transportation – Personal	<input type="checkbox"/>	<input type="checkbox"/>
Outdoor			Transportation – Prearranged	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tennis Court	<input type="checkbox"/>	<input type="checkbox"/>	Other: <u>Jewelry/Ceramic</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Workshop	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Other: <u>Bocce</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

Provider Name: MONTECITO RETIREMENT ASSOCIATION

Affiliated CCRCs	Location (city, state)	Phone (with area code)
CASA DORINDA	MONTECITO, CA	805-969-8011

Multi-Level Retirement Communities	Location (city, state)	Phone (with area code)

Free-Standing Skilled Nursing	Location (city, state)	Phone (with area code)

Subsidized Senior Housing	Location (city, state)	Phone (with area code)

NOTE: Please indicate if the facility is a life care facility.

Provider Name: MONTECITO RETIREMENT ASSOCIATION

Income and Expenses [Year]	2019	2020	2021	2022
Income from Ongoing Operations				
Operating Income (Excluding amortization of entrance fee income)	\$20,351,105	\$20,892,023	\$22,450,012	\$25,831,406
Less Operating Expenses (Excluding depreciation, amortization, and interest)	(\$23,443,707)	(\$24,286,713)	(\$25,381,187)	(\$28,239,685)
Net Income From Operations	(\$3,092,602)	(\$3,394,690)	(\$2,931,175)	(\$2,408,279)
Less Interest Expense	\$-	\$-	(\$136,528)	(\$635,265)
Plus Contributions	\$33,579	\$46,222	\$86,991	\$171,522
Plus Non-Operating Income (Expenses) (Excluding extraordinary items)	\$392,833	\$4,932,598	\$4,037,462	\$212,125
Net Income (Loss) Before Entrance Fees, Depreciation And Amortization	(\$2,747,372)	\$1,584,130	\$1,056,750	(\$2,659,897)
Net Cash Flow From Entrance Fees (Total Deposits Less Refunds)	\$9,602,778	\$8,907,469	\$13,216,426	\$16,774,076

Description of Secured Debt (as of most recent fiscal year end)

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
CA HEALTH FACILITIES	\$14,669,288	3.02%	06/22/2017	06/01/2032	15 YEARS
CA HEALTH FACILITIES	\$1,357,126	2.04%	06/22/2017	06/01/2024	7 YEARS
COMPASS BBVA BANK	\$4,480,121	3.14%	02/11/2020	02/01/2030	10 YEARS

Financial Ratios (see last page for ratio formulas)

Financial Ratios [Year]	CCAC Medians 50th Percentile (optional)	2020	2021	2022
Debt to Asset Ratio		.252	.153	.119
Operating Ratio		1.16	1.137	1.118
Debt Service Coverage Ratio		4.12	5.03	5.63
Days Cash On Hand Ratio		425	384	356

Provider Name: MONTECITO RETIREMENT ASSOCIATION**Historical Monthly Service Fees** (Average Fee and Change Percentage)

Residence/Service [Year]	2019	%	2020	%	2021	%	2022	%
Studio	\$4,048	3.0%	\$4,169	3.0%	\$4,315	3.5%	\$4,563	5.8%
One Bedroom	\$4,827	3.0%	\$4,980	3.0%	\$5,154	3.5%	\$5,454	5.8%
Cottage/House	\$9,058	3.0%	\$9,332	3.0%	\$9,659	3.5%	\$10,216	5.8%
Assisted Living			\$9,736		\$10,077	3.5%	\$10,656	5.8%
Skilled Living								
Special Care								

Comments from Provider:

Fees represent the average rates of several different apartment sizes as of 2/1/2022. One bedrooms are quoted at single occupancy. When a resident moves to a higher level of care, the resident continues to pay the rate of their current apartment, but no more than a one bedroom standard rate.

Financial Ratio Formulas**Long-Term Debt to Total Assets Ratio**

$$\frac{\text{Long Term Debt, less Current portion}}{\text{Total Assets}}$$

Operating Ratio

$$\frac{\text{Total Operating Expenses - Depreciation Expense - Amortization Expense}}{\text{Total Operating Revenues - Amortization of Deferred Revenue}}$$

Debt Service Coverage Ratio

$$\frac{\text{Total Excess of Revenues Over Expenses} + \text{Interest, Depreciation, and Amortization Expenses} + \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}}$$

Days Cash On Hand Ratio


$$\frac{\text{Unrestricted Current Cash \& Investments} + \text{Unrestricted Non-Current Cash and Investments}}{(\text{Operating Expenses - Depreciation - Amortization})/365}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

KEY INDICATORS REPORT

Casa Dorinda

Please attach an explanatory memo that summarizes significant trends or variances.


Chief Executive Officer Signature

Chief Financial Officer Signature

	2017	2018	2019	2020	2021	2022	Projected	Forecast					Preferred Trend
							2023	2024	2025	2026	2027		
OPERATIONAL STATISTICS													
1. Average Annual Occupancy by Site (%)	95.0%	94.3%	95.4%	95.0%	93.1%	94.5%	95.0%	95.0%	95.0%	95.0%	95.0%	⬆️	
MARGIN (PROFITABILITY) INDICATORS													
2. Net Operating Margin (%)	-145.0%	-17.3%	-20.8%	-22.8%	-19.8%	-15.0%	-13.3%	-12.4%	-11.6%	-10.6%	-15.9%	⬆️	
3. Net Operating Margin - Adjusted (%)	30.8%	18.7%	19.7%	13.3%	26.2%	31.5%	20.4%	21.6%	22.3%	23.2%	19.9%	⬆️	
LIQUIDITY INDICATORS													
4. Unrestricted Cash and Investments (\$000)	\$24,639	\$20,064	\$20,691	\$28,280	\$26,826	\$28,182	\$25,394	\$25,861	\$27,356	\$29,166	\$29,166	⬆️	
5. Days Cash on Hand (Unrestricted)	410.0	326.6	322.2	425.0	383.7	356.2	311.6	308.1	316.5	327.6	318.0	⬆️	
CAPITAL STRUCTURE INDICATORS													
6. Deferred Revenue from Entrance Fees (\$000)	\$26,506	\$27,782	\$29,763	\$32,579	\$35,080	\$40,135	\$42,142	\$44,249	\$46,462	\$48,784	\$51,224	N/A	
7. Net Annual E/F proceeds (\$000)	\$12,559	\$8,474	\$9,788	\$8,238	\$13,216	\$14,258	\$10,912	\$11,633	\$12,134	\$12,741	\$12,741	N/A	
8. Unrestricted Net Assets (\$000)	\$15,654	\$16,549	\$20,519	\$28,125	\$33,885	\$30,890	\$32,316	\$33,681	\$35,426	\$37,486	\$39,773	N/A	
9. Annual Capital Asset Expenditure (\$000)	\$12,066	\$16,595	\$21,879	\$25,492	\$20,034	\$7,290	\$5,789	\$6,500	\$6,500	\$6,500	\$6,700	N/A	
10. Annual Debt Service Coverage Revenue Basis (x)	-1.48	-1.32	-1.98	0.66	0.42	-0.77	-0.78	-0.15	0.19	0.47	-0.11	⬆️	
11. Annual Debt Service Coverage (x)	8.13	6.22	5.28	4.12	5.08	4.67	3.40	4.63	6.29	6.65	5.79	⬆️	
12. Annual Debt Service/Revenue (%)	4.74%	3.89%	4.72%	6.92%	7.91%	7.08%	6.89%	5.43%	4.10%	3.96%	3.96%	⬆️	
13. Average Annual Effective Interest Rate (%)	0.27%	1.83%	1.96%	2.27%	3.81%	3.53%	3.20%	3.20%	3.19%	3.21%	3.21%	⬆️	
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	484.1%	174.6%	86.9%	75.9%	112.3%	155.1%	153.1%	167.7%	192.4%	224.8%	224.8%	⬆️	
15. Average Age of Facility (years)	10.89	10.27	10.52	9.02	7.68	7.44	7.69	8.05	8.37	8.66	8.41	⬆️	