

**MONTECITO RETIREMENT  
ASSOCIATION**

**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  
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)<br>Date Incurred | (b)<br>Principal Paid During Fiscal Year | (c)<br>Interest Paid During Fiscal Year | (d)<br>Credit Enhancement Premiums Paid in Fiscal Year | (e)<br>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                         |                      |  |   |  |   |
| <b>TOTAL:</b>             |                      |  | \$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)<br>Date Incurred | (b)<br>Total Interest Paid During Fiscal Year | (c)<br>Amount of Most Recent Payment on the Debt | (d)<br>Number of Payments Over Next 12 Months | (e)<br>Reserve Requirement (see instruction Part 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:** MONTECITO RETIREMENT ASSOCIATION

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

| Line   | TOTAL                     |
|--|---------------------------|
| 1 <u>Total from Form 5-1 bottom of Column (e)</u>  | \$2,618,263               |
| 2 <u>Total from Form 5-2 bottom of Column (e)</u>  | \$0                       |
| 3 <u>Facility leasehold or rental payment paid by provider during fiscal year<br/>(including related payments such as lease insurance)</u> | \$0                       |
| 4 <b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>   | <b><u>\$2,618,263</u></b> |

**PROVIDER:** MONTECITO RETIREMENT ASSOCIATION

**FORM 5-4: CALCULATION OF NET OPERATING EXPENSES**

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

**PROVIDER:** MONTECITO RETIREMENT ASSOCIATION

**COMMUNITY:** CASA DORINDA

**FORM 5-5: ANNUAL RESERVE CERTIFICATION**

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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>        |
| <b>[3] Total Liquid Reserve Amount:</b> | <u><b>\$8,350,896</b></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>\$1,450,775</u>          |
| [5] Investment Securities              | <u>                    </u> | <u>                    </u> |
| [6] Equity Securities                  | <u>\$2,417,397</u>          | <u>\$17,448,709</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>\$200,866</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] <u>\$2,618,263</u> | [12] <u>\$18,899,484</u> |
| Reserve Obligation Amount:     | [13] <u>\$2,618,263</u> | [14] <u>\$5,732,633</u>  |
| Surplus/(Deficiency):          | [15] <u>\$0</u>         | [16] <u>\$13,166,851</u> |

Signature:

  
(Authorized Representative)

Date: 5/15/13

CEO  
(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> |

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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 |

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**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 | <u>200,866</u>      |
| Equity securities                         | <u>2,417,397</u>    |
| <b>Total debt service reserves</b>        | <b>\$ 2,618,263</b> |

**Operating Reserves:**

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

**Restricted Deposits Related to Bliss Expansion**

|  |                   |
|--|-------------------|
| Certificate of deposit reassigned to third party as security | \$ 564,139        |
| Project funds held by trustee                                | <u>245</u>        |
| <b>Total restricted deposits related to Bliss Expansion</b>  | <b>\$ 564,384</b> |

**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 | <u>(40,387)</u>     |
| <b>Total liquid reserves</b>        | <b>\$ 1,716,840</b> |

**Total Reserves Maintained** **\$ 23,798,971**

**Per Capita Cost of Operations**

|  |                                |
|--|--------------------------------|
| Total operating expenses                   | \$ 35,714,026                  |
| Mean number of all residents               | <u>364.0</u>                   |
| <b>Total per capita cost of operations</b> | <b><u><u>\$ 98,115</u></u></b> |