



Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules with
Supplementary Schedules

Atherton Baptist Homes

December 31, 2023

Table of Contents

| | PAGE |
|---|------|
| Report of Independent Auditors | 1–3 |
| Continuing Care Reserve Schedules | |
| Form 5-1, long-term debt incurred in a prior fiscal year (including balloon debt) | 4 |
| Form 5-2, long-term debt incurred during fiscal year (including balloon debt) | 5 |
| Form 5-3, calculation of long-term debt reserve amount | 6 |
| Form 5-4, calculation of net operating expenses | 7 |
| Form 5-5, annual reserve certification | 8 |
| Note to continuing care reserve schedules | 9 |
| Supplementary Schedules | |
| Supplementary Form 5-1, reconciliation to audit report | 10 |
| Supplementary Form 5-4, reconciliation to audit report | 11 |
| Supplementary Form 5-5, reconciliation to audit report | 12 |

Report of Independent Auditors

The Board of Trustees
Atherton Baptist Homes

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Atherton Baptist Homes, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5 for the year ended December 31, 2023.

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserve of Atherton Baptist Homes as of and for the year ended December 31, 2023, in conformity with the liquid reserve requirements 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 Financial Statements section of our report. We are required to be independent of Atherton Baptist Homes 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

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by Atherton Baptist Homes on the basis of the liquid reserve requirements of 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 one resulting from error, as fraud may include 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 financial statements.

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 financial statements, 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 financial statements.
- 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 purpose of expressing an opinion on the effectiveness of Atherton Baptist Homes' 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Atherton Baptist Homes' ability to continue as a going concern for a reasonable period of time.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying supplementary schedules of Supplementary Form 5-1, Reconciliation to Audit Report; Supplementary Form 5-4, Reconciliation to Audit Report; and Supplementary Form 5-5, Reconciliation to Audit Report, are presented for the purpose of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Trustees and management of Atherton Baptist Homes 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.

Moss Adams LLP

Los Angeles, California

April 17, 2024

Continuing Care Reserve Schedules

Atherton Baptist Homes
Form 5-1, Long-Term Debt Incurred in a Prior Fiscal Year (Including Balloon Debt)
For the Year Ended December 31, 2023

| FORM 5-1 LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR (Including Balloon Debt) | | | | | |
|---|---------------|--------------------------------------|-------------------------------------|---|---|
| | (a) | (b) | (c) | (d) | (e) |
| Long-Term Debt Obligation | Date Incurred | Principal Paid During Fiscal Year | Interest Paid During Fiscal Year | Credit Enhancement Premiums Paid in Fiscal Year | Total Paid (columns (b) + (c) + (d)) |
| 1 | 07/01/19 | \$18,927 | \$905 | \$0 | \$19,832 |
| 2 | 11/04/16 | \$995,000 | \$1,063,457 | \$0 | \$2,058,457 |
| 3 | 07/01/20 | \$5,467 | \$197 | \$0 | \$5,664 |
| 4 | 01/01/21 | \$33,675 | \$4,495 | \$0 | \$38,170 |
| 5 | | | | | \$0 |
| 6 | | | | | \$0 |
| 7 | | | | | \$0 |
| 8 | | | | | \$0 |
| TOTAL: | | \$1,053,069 | \$1,069,054 | \$0 | \$2,122,123 |

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

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

PROVIDER: Atherton Baptist Homes

Atherton Baptist Homes

**Form 5-2, Long-Term Debt Incurred During Fiscal Year (Including Balloon Debt)
For the Year Ended December 31, 2023**

| 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 |
| TOTAL: | | \$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: Atherton Baptist Homes

Atherton Baptist Homes
Form 5-3, Calculation of Long-Term Debt Reserve Amount
For the Year Ended December 31, 2023

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

| Line | | TOTAL |
|------|--|--------------------|
| 1 | Total from Form 5-1 bottom of Column (e) | \$2,122,123 |
| 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: | \$2,122,123 |

PROVIDER: Atherton Baptist Homes

Atherton Baptist Homes
Form 5-4, Calculation of Net Operating Expenses
For The Year Ended December 31, 2023

| | | FORM 5-4 | Amounts | TOTAL |
|------------------|---|----------|--------------------|---------------------------|
| Line | | | | |
| 1 | Total operating expenses from financial statements | | | <u>\$24,036,245</u> |
| 2 | Deductions: | | | |
| | a. Interest paid on long-term debt (see instructions) | | <u>\$1,069,054</u> | |
| | b. Credit enhancement premiums paid for long-term debt (see instructions) | | <u>\$0</u> | |
| | c. Depreciation | | <u>\$2,581,611</u> | |
| | d. Amortization | | <u>(\$9,551)</u> | |
| | e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract | | <u>\$2,195,341</u> | |
| | f. Extraordinary expenses approved by the Department | | <u>\$0</u> | |
| 3 | Total deductions | | | <u>\$5,836,455</u> |
| 4 | Net operating expenses | | | <u>\$18,199,790</u> |
| 5 | Divide line 4 by 365 and enter the result. | | | <u>\$49,862</u> |
| 6 | Multiply line 5 by 75 and enter the result. This is the provider's operating expense reserve amount. | | | <u><u>\$3,739,650</u></u> |
| PROVIDER: | <u>Atherton Baptist Homes</u> | | | |

Atherton Baptist Homes
Form 5-5, Annual Reserve Certification
For the Year Ended December 31, 2023

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Atherton Baptist Homes
 Fiscal Year Ended: 12/31/2023

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2023 and are in compliance with those requirements.

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

| | Amount |
|---|--------------------|
| [1] Debt Service Reserve Amount | \$2,122,123 |
| [2] Operating Expense Reserve Amount | \$3,739,650 |
| [3] Total Liquid Reserve Amount: | \$5,861,773 |

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

| Qualifying Asset Description | Amount (market value at end of quarter) | |
|--|--|------------------------------|
| | Debt Service Reserve | Operating Reserve |
| [4] Cash and Cash Equivalents | \$0 | \$7,677,723 |
| [5] Investment Securities | \$0 | \$2,217,516 |
| [6] Equity Securities | \$0 | \$18,131,200 |
| [7] Unused/Available Lines of Credit | \$0 | \$0 |
| [8] Unused/Available Letters of Credit | \$0 | \$0 |
| [9] Debt Service Reserve | \$2,677,600 | (not applicable) |
| [10] Other: | \$0 | \$2,125,555 |
| <u>CD as short-term investments</u> (describe qualifying asset) | | |
| Listed for Reserve Obligation: | [11] <u>\$2,677,600</u> | [12] <u>\$30,151,994</u> |
| Reserve Obligation Amount: | [13] <u>\$2,122,123</u> | [14] <u>\$3,739,650</u> |
| Surplus/(Deficiency): | [15] <u>\$555,477</u> | [16] <u>\$26,412,344</u> |

Signature: _____

 (Authorized Representative)

 Chief Financial Officer
 (Title)

Date: _____

Atherton Baptist Homes

Note to Continuing Care Reserve Schedules

Note 1 – Basis of Accounting

The accompanying supplementary schedules have been prepared in accordance with the provisions of Health and Safety Code Section 1792 administered by the State of California Department of Social Services and are not intended to be a complete presentation of Atherton Baptist Homes' assets, liabilities, revenues, and expenses.

Supplementary Schedules

Atherton Baptist Homes
Supplementary Form 5-1, Reconciliation to Audit Report
For the Year Ended December 31, 2023

Principal Paid During Fiscal Year

| | |
|--|----------------------------|
| Principal payment on finance leases per audited statement of cash flows per Form 5-1 | \$ 58,069 |
| Principal payment on long-term debt per audited statement of cash flows per Form 5-1 | <u>995,000</u> |
| Total per Form 5-1 | <u><u>\$ 1,053,069</u></u> |

Interest Paid During Fiscal Year

| | |
|---|----------------------------|
| Interest payment on finance lease per audited statement of cash flows per Form 5-1 | \$ 5,597 |
| Interest payment on long-term debt per audited statement of cash flows per Form 5-1 | <u>1,063,457</u> |
| Total per Form 5-1 and Form 5-2 and per audited statements of cash flows | <u><u>\$ 1,069,054</u></u> |

Principal Payment on Finance Lease Obligation Per Audited Statement of Cash Flow

| | |
|---|-------------------------|
| Principal payment on finance lease obligation per Form 5-1 | <u>\$ 58,069</u> |
| Principal payment on finance lease obligation per audited statement of cash flows | <u><u>\$ 58,069</u></u> |

Atherton Baptist Homes
Supplementary Form 5-4, Reconciliation to Audit Report
For the Year Ended December 31, 2023

Interest Paid on Long-term Debt

| | |
|---|----------------------------|
| Interest paid on finance lease obligations per Form 5-1 | \$ 5,597 |
| Interest payments due on Series 2016 Bonds per Form 5-1 | <u>1,063,457</u> |
| Total per Form 5-4 | <u><u>\$ 1,069,054</u></u> |

Operating Expenses During Fiscal Year

| | |
|---|-----------------------------|
| Operating expenses before depreciation | \$ 21,454,634 |
| Depreciation and amortization of right-of-use asset | <u>2,581,611</u> |
| Total per Form 5-4 | <u><u>\$ 24,036,245</u></u> |

Amortization During Fiscal Year

| | |
|--|--------------------------|
| Amortization of deferred financing costs, included in interest expense | \$ 97,318 |
| Amortization of bond premium | <u>(106,869)</u> |
| Total per Form 5-4 | <u><u>\$ (9,551)</u></u> |

Atherton Baptist Homes
Supplementary Form 5-5, Reconciliation to Audit Report
For the Year Ended December 31, 2023

| | |
|--|-----------------------------|
| Total cash and cash equivalents for operating reserve | |
| Cash and cash equivalents per audited statement of financial position | \$ 5,671,102 |
| Add cash and cash equivalents of short-term investments and assets limited by Board as to use | <u>2,006,621</u> |
| Total cash and cash equivalents per Form 5-5 | <u><u>\$ 7,677,723</u></u> |
| Total equity securities for operating reserve | |
| Short-term investments | \$ 13,414,724 |
| Assets limited as to use, required for current liabilities | 1,564,291 |
| Assets limited as to use, net of current portion | 12,342,207 |
| Less non-equity securities | <u>(9,190,022)</u> |
| Total equity securities per Form 5-5 | <u><u>\$ 18,131,200</u></u> |
| Total cash and investments per audited statement of financial position | |
| Cash and cash equivalents | \$ 5,671,102 |
| Short-term investments | 13,414,724 |
| Assets limited as to use, required for current liabilities | 1,564,291 |
| Assets limited as to use, net of current portion | <u>12,342,207</u> |
| Total cash and investments | <u><u>\$ 32,992,324</u></u> |
| Total cash and investments available for debt service | |
| Assets held by bond indenture trustee, required for current liabilities | \$ 1,564,291 |
| Assets held by bond indenture trustee, net of current portion | <u>1,113,309</u> |
| Total cash and investments per Form 5-5 | <u><u>\$ 2,677,600</u></u> |
| Net cash available for operating reserve | |
| Total cash and investments | \$ 32,992,324 |
| Less assets limited as to use by donor for capital expenditure per Note 4 to the audited financial statements | 162,730 |
| Less assets held by bond indenture trustee per Note 4 to the audited financial statements | <u>2,677,600</u> |
| Net cash and investments available for operating reserve | <u><u>\$ 30,151,994</u></u> |
| Qualifying Assets per Form 5-5 | |
| Operating reserve | \$ 30,151,994 |
| Debt service reserve | <u>2,677,600</u> |
| Total qualifying assets | <u><u>\$ 32,829,594</u></u> |

