

INDEPENDENT AUDITORS' REPORT

Board of Directors
Sierra View Homes
Reedley, California

Opinion

We have audited the accompanying financial statements (Report) of Sierra View Homes, which comprises the continuing care liquid reserve schedules, Forms 5-1 through Form 5-5, as of and for the year ended December 31, 2021, and the related note to the financial statement.

In our opinion, the Report referred to above present fairly, in all material respects, the liquid reserve requirements of Sierra View Homes as of and for the year ended December 31, 2021, in conformity with the report preparation provisions of California Health and Safety Code 1792.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Report section of our report. We are required to be independent of Sierra View 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.

Responsibilities of Management for the Report

Management is responsible for the preparation and fair presentation of the Report 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 the Report that are free from material misstatement, whether due to fraud or error.

In preparing the Report, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sierra View Homes' ability to continue as a going concern within one year after the date that the Report is available to be issued.

Auditor's Responsibilities for the Audit of the Report

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 Report.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Sierra View 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 Report.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sierra View 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.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the Report. The Report is prepared 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the Report as a whole. The accompanying supplementary schedules, comprised of the Support Schedule for Form 5-1 for 2021, the Support Schedule for Form 5-4 for 2021, and the Support Schedule for Form 5-5, 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 the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 members, management of the Organization, 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.

A handwritten signature in black ink that reads "HRG, LLP". The letters are stylized and cursive.

Pasadena, California
April 22, 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	06/01/09	\$49,895	\$6,133		\$56,028
2	06/09/16	\$390,000	\$354,906		\$744,906
3	05/16/19	\$31,659	\$13,923		\$45,582
4					
5					
6					
7					
8					
TOTAL:			\$374,962		\$846,516

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

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

PROVIDER: SIERRA VIEW HOMES (DECEMBER 31, 2021)

SIERRA VIEW HOMES**December 31, 2021 Annual Report for the California Department of Social Services****Support Schedule for Form 5-1 Interest Paid (two-way reconciliation)**

Interest expense on the Statement of Functional Expenses from the audited financial statement (accrual basis)	\$371,099
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Adjustments to eliminate bond premium and loan cost amortization:

Add back debt issuance premium amortization in interest expense	38,211
Deduct debt issuance cost amortization in interest expense	(37,164)
	<hr/>
Equals interest expense only (accrual basis)	372,146

Adjustments to convert from accrual expense to total paid amount:

Add accrued interest payable at the beginning of the year	118,302
Deduct accrued interest payable at the end of the year	(115,486)
	<hr/>
TOTAL INTEREST PAID FORM 5-1, COLUMN C (see Note 1 below)	<div style="border: 1px solid black; padding: 2px;">\$374,962</div>

NOTE 1: This amount agrees to the audited financial statement, statement of cash flows, *cash flows from operating activities* section of the cash flow statement. This amount goes on Form 5-4, line 2a.

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					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$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: SIERRA VIEW HOMES (DECEMBER 31, 2021)

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

Line	TOTAL
1	Total from Form 5-1 bottom of Column (e) \$846,516
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: \$846,516

PROVIDER: SIERRA VIEW HOMES (DECEMBER 31, 2021)

FORM 5-4: CALCULATION OF NET OPERATING EXPENSES

Line	Description	Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$10,252,826</u>
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	<u>\$374,962</u>	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	<u></u>	
c.	Depreciation	<u>\$697,302</u>	
d.	Amortization	<u></u>	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$5,670,475</u>	
f.	Extraordinary expenses approved by the Department	<u></u>	
3	Total Deductions		<u>\$6,742,739</u>
4	Net Operating Expenses		<u>\$3,510,087</u>
5	Divide Line 4 by 365 and enter the result		<u>\$9,617</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount		<u>\$721,275</u>

PROVIDER: SIERRA VIEW HOMES (DECEMBER 31, 2021)**COMMUNITY:** SIERRA VIEW HOMES (DECEMBER 31, 2021)

SIERRA VIEW HOMES**December 31, 2021 Annual Report for the California Department of Social Services****Support Schedule for Form 5-4, Lines 1 & 2 (two-way reconciliation)****LINE 1:**

Total expenses on the Statement of Activities and Changes in Net Assets from the audited financial statement (accrual basis)	\$10,075,504
Provision for doubtful accounts in other expenses on the audited financial statement (accrual basis)	177,322
INTEREST PAID ON LONG-TERM DEBT (Form 5-4, Line 2a)	\$10,252,826

LINE 2a:

Interest expense on the Statement of Functional Expenses from the audited financial statement (accrual basis)	\$371,099
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Adjustments to eliminate bond premium and loan cost amortization:

Add back debt issuance premium amortization in interest expense	38,211
Deduct debt issuance cost amortization in interest expense	(37,164)
Equals interest expense only (accrual basis)	372,146

Adjustments to convert from accrual expense to total paid amount:

Add accrued interest payable at the beginning of the year	118,302
Deduct accrued interest payable at the end of the year	(115,486)
INTEREST PAID ON LONG-TERM DEBT (Form 5-4, Line 2a)	\$374,962

LINE 2e:

Revenues received for services to persons not having a continuing care contract:	
Skilled nursing services (audited financial statements)	\$4,805,468
Residential care services and housing services (audited financial statements)	3,616,529
Less accrual to cash adjustments (e.g., accounts receivable and deferred revenue changes)	(402,297)
Equals cash received from patients and residents (Note 1 below)	8,019,700
Less amounts received from persons under a continuing care contract	(2,497,782)
Equals revenue from non-contract persons	5,521,918
Other operating revenue (audited financial statements)	148,557
TOTAL NON-CONTRACT PERSONS (Form 5-4, Line 2e reduction)	\$5,670,475

NOTE 1 - This agrees to the audited financial statements, cashflow statement, under the caption *Cash flows from operating activities: Cash received from patients and residents.*

FORM 5-5: ANNUAL RESERVE CERTIFICATIONProvider Name: SIERRA VIEW HOMESFiscal Year Ended: DECEMBER 31, 2021

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

DECEMBER 31, 2021

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>\$846,516</u>
[2] Operating Expense Reserve Amount	<u>\$721,275</u>
[3] Total Liquid Reserve Amount:	<u>\$1,567,791</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>\$343,288</u>	<u>\$330,800</u>
[5] Investment Securities	<u> </u>	<u> </u>
[6] Equity Securities	<u> </u>	<u>\$1,783,372</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>\$688,866</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] \$1,032,154 [12] \$2,114,172Reserve Obligation Amount: [13] \$846,516 [14] \$721,275Surplus/(Deficiency): [15] \$185,638 [16] \$1,392,897

Signature:

Date: _____
(Authorized Representative)

(Title)

SIERRA VIEW HOMES

December 31, 2021 Annual Report for the California Department of Social Services

Support Schedule for Form 5-5 (Health and Safety Code 1790(a)(2))

QUALIFYING ASSET DESCRIPTION DISCLOSURE:

Form 5-5 line number	Amount	Comments and location on audited financial statement
[4]		These are bank accounts and the amount is listed on page 2 of the audited financial statements under current assets, cash. They allocation between debt service reserve and operating reserve as follows:
	\$343,288	Debt reserve
	330,800	Operating reserve
	\$674,088	Total cash
[6]	\$1,783,372	These are marketable short-term investments. This amount is listed on page 3 of the audited financial statements under current assets, and the detail of this amount is disclosed on page 12 of the audited financial statements.
[9]		This amount comprises two amounts located on the audited financial statements. It relates to the required reserves mandated by Sierra View Homes' certificate debt agreement. The amounts and location on the audited financial statements are as follows:
	\$312,857	Page 3 of the audited financial statements under current assets, restricted assets
	376,009	Page 3 of the audited financial statements under other assets, restricted assets
	\$688,866	Total Debt Service Reserve Accounts
		Page 13 of the audited financial statements provides further detail on the nature of these debt reserve accounts (under the caption RESTRICTED ASSETS, CERTIFICATE DEBT TRUST AGREEMENT)

DETAILS ON STATUS, DESCRIPTION, AND AMOUNT, ETC. DISCLOSURE (1790(a)(2))

The details are listed above under *Qualifying Asset Description Disclosure*. The only reserve that Sierra View Homes maintains is for the certificate debt. That is indicated above and detailed above at line [9]. Sierra View Homes has no other reserve or restricted accounts other than listed above.

PER CAPITA COSTS OF OPERATION DISCLOSURE (1790(a)(2)):

Total operating expenses (From Form 5-4, line 1)	\$10,252,826
Divided by mean number of <i>all</i> residents (From line 10 of Form 1-1)	211.0
Equals annual per capita costs of operation	\$48,592

**SIERRA VIEW HOMES
NOTE TO CONTINUING CARE LIQUID RESERVE SCHEDULES
DECEMBER 31, 2021**

NOTE 1 - BASIS OF ACCOUNTING

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