

**ANNUAL REPORT CHECKLIST**

**FISCAL YEAR ENDED:  
06/30/2019**

**PROVIDER(S):** The Reutlinger Community

**CCRC(S):** The Reutlinger Community

**CONTACT PERSON:** Brian Morrow

**TELEPHONE NO.:** (925) 964-2066 **EMAIL:** BMorrow@rcjl.org



A complete annual report must consist of **3 copies** of all the following:

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$ 10,123
- If applicable, late fee in the amount of: \$ Not applicable
- Certification by the provider's **Chief Executive Officer** that:
  - The reports are correct to the best of his/her knowledge.
  - Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for **each** community.
- Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.

**PART 1**  
**ANNUAL PROVIDER FEES**

**FORM 1-1  
RESIDENT POPULATION**

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	76
[2]	Number at end of fiscal year	76
[3]	Total Lines 1 and 2	152
[4]	Multiply Line 3 by ".50" and enter result on Line 5	x.50
[5]	Mean number of continuing care residents	76
<b>All Residents</b>		
[6]	Number at beginning fiscal year	130
[7]	Number at end of fiscal year	134
[8]	Total Lines 6 and 7	264
[9]	Multiply Line 8 by ".50" and enter result on Line 10	x.50
[10]	Mean number of <i>all</i> residents	132
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	57.58%

**FORM 1-2  
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service – interest only)	19,011,947
[a]	Depreciation	1,196,795
[b]	Debt Service (Interest Only)	234,684
[2]	Subtotal (add Line 1a and 1b)	1,431,479
[3]	Subtract Line 2 from Line 1 and enter result	17,580,468
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	57.58%
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	10,122,833
[6]	<b>Total Amount Due</b> (multiply Line 5 by .001)	x .001 10,123

**PROVIDER:** The Reutlinger Community  
**COMMUNITY:** The Reutlinger Community

**PART 2**  
**CERTIFICATION BY OFFICER**

  
**The Reutlinger**  
**Community**  
SCHIFF CENTER FOR LIFE

4000 Camino Tassajara, Danville, CA 94506 925.648.2800 www.rcjl.org License # 075600335

**Koret Senior Life Center**

**Harry & Jeanette  
Weinberg Campus**

**Schiff Center for Life**

**Polse Family Pavilion**

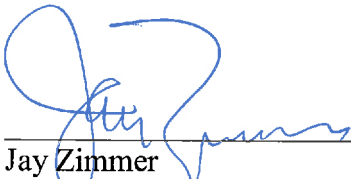
State of California  
Continuing Care Contracts Branch  
California Department of Social Services  
744 P. Street, M.S. 10-90  
Sacramento, California 95814

This Certification Notice is submitted by The Reutlinger Community; to The State of California, Community Care Licensing Division, Continuing Care Contracts Branch, pursuant to the requirements of the Continuing Care Contract Annual Reserve Report, for the year ended June 30, 2019. Our Provisional Certificate of Authority is #315.

To the best of my knowledge, after a review of the enclosed information I certify the following to be true, complete and correct:

1. The Annual Report is correct.
2. Each continuing care contract form in use or offered for new residents has been approved by the Department.
3. The required liquid reserves are being maintained.

Authorized Representative

  
\_\_\_\_\_  
Jay Zimmer

President and Chief Executive Officer

10/31/2019  
\_\_\_\_\_  
Date

**Chair:**  
Jordan Rose

**President and CEO:**  
Jay Zimmer

**Vice Chair:**  
Craig Judson

**Secretary:**  
David Grant

**Treasurer and CFO:**  
Brian Morrow, CPA

**Immediate Past Chair:**  
Sherry Berkman, Ph.D.

**Directors:**  
Jean Jones, Resident  
Renee Powell  
Gloria Ruth, Resident  
Sam Salkin  
Marc Usatin, MD  
Joel White, MD

**Administrator:**  
Elena Davidenko

**Rabbi:**  
Debora Kohn

**Trustee Advisory Board:**  
Mel Gerton  
Judith Greif  
Randy Kessler  
Betty Ann Polse  
Diane Rosenberg  
Raine Rude  
Michael Simon  
Sandra Sussman

**PART 3**  
**EVIDENCE OF FIDELITY BOND**



# CERTIFICATE OF LIABILITY INSURANCE

11/3/2019

DATE (MM/DD/YYYY)

10/31/2019

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> Lockton Insurance Brokers, LLC License #0F15767 4275 Executive Square, Suite 600 La Jolla CA 92037 (858) 587-3100	<b>CONTACT NAME:</b> PHONE (A/C, No, Ext): _____ FAX (A/C, No): _____ E-MAIL ADDRESS: _____	
	<b>INSURER(S) AFFORDING COVERAGE</b>	
<b>INSURED</b> 1470059 The Reutlinger Community 4000 Camino Tassajara Danville CA 94506	<b>INSURER A:</b> Federal Insurance Company <span style="float:right">NAIC # 20281</span>	
	<b>INSURER B:</b>	
	<b>INSURER C:</b>	
	<b>INSURER D:</b>	
	<b>INSURER E:</b>	
	<b>INSURER F:</b>	


**COVERAGES** THERE01 **CERTIFICATE NUMBER:** 16388012 **REVISION NUMBER:** XXXXXXXX

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	<b>COMMERCIAL GENERAL LIABILITY</b> <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER: _____			NOT APPLICABLE			EACH OCCURRENCE \$ XXXXXXXX DAMAGE TO RENTED PREMISES (Ea occurrence) \$ XXXXXXXX MED EXP (Any one person) \$ XXXXXXXX PERSONAL & ADV INJURY \$ XXXXXXXX GENERAL AGGREGATE \$ XXXXXXXX PRODUCTS - COMP/OP AGG \$ XXXXXXXX \$ _____
	<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY			NOT APPLICABLE			COMBINED SINGLE LIMIT (Ea accident) \$ XXXXXXXX BODILY INJURY (Per person) \$ XXXXXXXX BODILY INJURY (Per accident) \$ XXXXXXXX PROPERTY DAMAGE (Per accident) \$ XXXXXXXX \$ XXXXXXXX
	<b>UMBRELLA LIAB</b> <input type="checkbox"/> OCCUR <b>EXCESS LIAB</b> <input type="checkbox"/> CLAIMS-MADE DED _____ RETENTION \$ _____			NOT APPLICABLE			EACH OCCURRENCE \$ XXXXXXXX AGGREGATE \$ XXXXXXXX \$ XXXXXXXX
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory In NH) <input type="checkbox"/> Y/N If yes, describe under DESCRIPTION OF OPERATIONS below		N/A	NOT APPLICABLE			PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.L. EACH ACCIDENT \$ XXXXXXXX E.L. DISEASE - EA EMPLOYEE \$ XXXXXXXX E.L. DISEASE - POLICY LIMIT \$ XXXXXXXX
A	Crime	N	N	3582-09-84	11/3/2018	11/3/2019	Employee Dishonesty: \$100,000 Forgery or Alteration: \$50,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

**CERTIFICATE HOLDER****CANCELLATION**

<b>16388012</b> Evidence of Coverage	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE 

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**PART 4**  
**AUDITED FINANCIAL STATEMENTS**





**The Reutlinger**  
**Community**

**INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**



HANSEN HUNTER & CO. P.C.  
*Certified Public Accountants*

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HANSEN HUNTER & CO. P.C.  
*Certified Public Accountants*

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
The Reutlinger Community  
Danville, California

We have audited the accompanying financial statements of The Reutlinger Community (a California not-for-profit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



HANSEN HUNTER & CO. P.C.  
*Certified Public Accountants*

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Reutlinger Community, as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, The Reutlinger Community adopted new accounting guidance related to not-for-profit entities. Our opinion is not modified with respect to this matter.

*Hansen Hunter & Co. P.C.*

October 31, 2019

**The Reutlinger Community**

**STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 178,071	\$ 237,651
Investments	9,763,038	9,787,011
Accounts receivable - resident and third party payors, net	2,406,291	1,388,952
Inventories	31,006	37,439
Prepaid expenses	98,451	72,624
	<u>12,476,857</u>	<u>11,523,677</u>
<b>Property, buildings and equipment</b>		
Land	1,855,512	1,855,512
Land improvements	74,646	56,821
Buildings and improvements	29,878,871	28,884,242
Equipment and furnishings	3,871,312	3,838,970
	<u>35,680,341</u>	<u>34,635,545</u>
Less: accumulated depreciation	(15,306,668)	(14,122,138)
	<u>20,373,673</u>	<u>20,513,407</u>
Construction in progress	121,428	121,428
	<u>20,495,101</u>	<u>20,634,835</u>
<b>Other assets</b>		
Contribution receivable - beneficial interest in testamentary trust	1,754,994	2,689,962
	<u>1,754,994</u>	<u>2,689,962</u>
<b>Total assets</b>	<u>\$ 34,726,952</u>	<u>\$ 34,848,474</u>

*The accompanying notes are an integral part of these financial statements.*

**The Reutlinger Community**

**STATEMENTS OF FINANCIAL POSITION**  
(Continued)

**LIABILITIES AND NET ASSETS**

	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Current liabilities</b>		
Accounts payable, trade	\$ 758,835	\$ 724,525
Accrued compensation and other liabilities	925,766	836,581
Deferred revenue	50,258	109,173
Resident deposits	-	500
Mortgage payable, current portion	256,867	247,181
	<b>1,991,726</b>	<b>1,917,960</b>
<b>Deferred revenue from entrance fees</b>	<b>113,617</b>	<b>87,580</b>
<b>Long-term liabilities</b>		
Mortgage payable, net of current portion	5,593,781	5,854,955
Debt issuance costs	(195,798)	(207,665)
	<b>5,397,983</b>	<b>5,647,290</b>
<b>Total liabilities</b>	<b>7,503,326</b>	<b>7,652,830</b>
<b>Net assets</b>		
Without donor restrictions:		
Undesignated net assets	17,446,234	16,718,701
Board designated net assets	4,708,817	4,693,953
	<b>22,155,051</b>	<b>21,412,654</b>
With donor restrictions	5,068,575	5,782,990
	<b>27,223,626</b>	<b>27,195,644</b>
<b>Total liabilities and net assets</b>	<b>\$ 34,726,952</b>	<b>\$ 34,848,474</b>

*The accompanying notes are an integral part of these financial statements.*

**The Reutlinger Community**

**STATEMENTS OF ACTIVITIES**

	<b>Years Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Changes in net assets without donor restrictions:</b>		
<b>Resident revenues and other support</b>		
Patient and resident services	\$ 16,622,843	\$ 15,649,022
Amortization of entrance fees	21,846	24,420
Contributions	850,639	240,629
Investment return, net	482,617	679,051
Other revenues	226,628	210,277
Net assets released from restriction	1,252,767	740,882
 Total resident revenues and other support	 19,457,340	 17,544,281
 <b>Operating expenses</b>		
Skilled nursing	2,711,120	2,368,893
Assisted living	2,596,315	2,378,223
Maintenance	1,051,434	990,427
Housekeeping and laundry	601,397	585,999
Dietary	2,349,527	2,478,923
Activities and social services	842,671	852,142
Staff development	84,012	76,267
Employee benefits	3,358,741	3,764,572
Administration	2,731,279	2,302,261
Ancillary	1,036,771	1,007,619
Other expenses	20,836	54,570
 Total operating expenses	 17,384,103	 16,859,896

*The accompanying notes are an integral part of these financial statements.*

**The Reutlinger Community**

**STATEMENTS OF ACTIVITIES**

(Continued)

	<b>Years Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Other expenses</b>		
Equipment leases	\$ 57,800	\$ 64,267
Property tax and insurance	100,456	137,694
Fundraising	29,242	-
Fund expenses	-	51,876
Interest	243,551	253,048
Depreciation	1,196,795	1,181,220
	1,627,844	1,688,105
 Total other expenses		
	19,011,947	18,548,001
 Change in net assets without donor restrictions from operations	445,393	(1,003,720)
 <b>Non-operating</b>		
Gain on involuntary conversion	297,004	-
	742,397	(1,003,720)
 Change in net assets without donor restrictions		
 <b>Changes in net assets with donor restrictions:</b>		
Contributions	511,320	159,134
Net assets released from restriction	(1,252,767)	(740,882)
Adjustment to contribution receivable	27,032	21,854
	(714,415)	(559,894)
 Change in net assets with donor restrictions		
 <b>Change in total net assets</b>	27,982	(1,563,614)
 <b>Net assets, beginning of year</b>	27,195,644	28,759,258
 <b>Net assets, end of year</b>	\$ 27,223,626	\$ 27,195,644

*The accompanying notes are an integral part of these financial statements.*



**The Reutlinger Community**

**STATEMENTS OF CASH FLOWS**

	<b>Years Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Cash received from residents	\$ 16,073,856	\$ 15,988,328
Entrance fees received	85,000	107,000
Contributions received	2,296,927	391,585
Investment income received	256,192	253,420
Interest paid	(234,684)	(244,182)
Cash paid to suppliers	(17,532,646)	(16,426,041)
	<b>944,645</b>	<b>70,110</b>
<b>Net cash provided by (used in)</b>		
<b>operating activities</b>	<b>944,645</b>	<b>70,110</b>
<b>Cash flows from investing activities</b>		
Purchases of property, buildings and equipment	(931,050)	(564,334)
Withdrawals from investments	250,398	1,138,533
Net insurance proceeds	(3,635)	-
	<b>(684,287)</b>	<b>574,199</b>
<b>Net cash provided by (used in)</b>		
<b>investing activities</b>	<b>(684,287)</b>	<b>574,199</b>
<b>Cash flows from financing activities</b>		
Bank overdraft	-	(104,271)
Principal payments on mortgage payable	(248,488)	(238,991)
Payment on accounts payable: short-term financing of property, buildings and equipment purchases	(34,333)	(70,675)
Entrance fees refunded	(37,117)	-
	<b>(319,938)</b>	<b>(413,937)</b>
<b>Net cash provided by (used in)</b>		
<b>financing activities</b>	<b>(319,938)</b>	<b>(413,937)</b>
<b>Net change in cash</b>	<b>(59,580)</b>	<b>230,372</b>
<b>Cash, beginning of year</b>	<b>237,651</b>	<b>7,279</b>
<b>Cash, end of year</b>	<b>\$ 178,071</b>	<b>\$ 237,651</b>

*The accompanying notes are an integral part of these financial statements.*

**The Reutlinger Community**

**STATEMENTS OF CASH FLOWS**

(Continued)

	<b>Years Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 27,982	\$ (1,563,614)
<b>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</b>		
Amortization of entrance fees	(21,846)	(24,420)
Depreciation expense	1,196,795	1,181,220
Amortization of debt issuance costs, included in interest	11,867	11,867
Mortgage premium amortization	(3,000)	(3,000)
Unrealized gain on investments	(226,425)	(425,631)
Gain on involuntary conversion	(297,004)	-
Entrance fees received	85,000	107,000
<b>(Increase) decrease in operating assets:</b>		
Accounts receivable	(716,700)	77,430
Inventories	6,433	24,439
Prepaid expenses	(25,827)	232,254
Contribution receivable - beneficiary interest in testamentary trust	934,968	(8,178)
<b>Increase (decrease) in operating liabilities:</b>		
Accounts payable, trade	(57,368)	388,505
Accrued compensation and other liabilities	89,185	29,539
Unearned revenue	-	(25,000)
Deferred revenue	(58,915)	76,599
Community fee payable	-	(9,400)
Resident deposits	(500)	500
<b>Net total adjustments</b>	916,663	1,633,724
<b>Net cash provided by (used in) operating activities</b>	\$ 944,645	\$ 70,110
<b>Supplemental disclosures:</b>		
<b>Non-cash investing and financing activities:</b>		
Property, buildings and equipment included in accounts payable	\$ 126,011	\$ 34,333
<b>Cash paid during the year for interest</b>	\$ 234,684	\$ 244,182
<b>Cash paid during the year for taxes</b>	\$ -	\$ -

*The accompanying notes are an integral part of these financial statements.*

## The Reutlinger Community

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - Nature of Business

The Reutlinger Community (the Community) is a California not-for-profit public benefit corporation. The Community owns and operates a 60-bed skilled nursing and 116-unit assisted living and memory care facility in Danville, California. Beginning December 5, 2016, the Community was certified by the State of California Department of Social Services with a provisional license to operate as a Continuing Care Retirement Community (CCRC) and enter into continuing care contracts with the residents of the Community.

Based on revenue sources, the following percentages are the major sources of skilled nursing and assisted living care revenue:

	Years Ended June 30,	
	2019	2018
Private and other	65%	65%
Medicare	17	19
Medi-Cal	18	16
	<u>100%</u>	<u>100%</u>

#### NOTE 2 - Summary of Significant Accounting Policies

##### *Basis of presentation*

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective July 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified as follows:

***Net assets without donor restrictions:*** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Community. The Community's board may designate assets without restrictions for specific operational purposes from time to time.

***Net assets with donor restrictions:*** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Community or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

## The Reutlinger Community

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### NOTE 2 - Summary of Significant Accounting Policies (continued)

##### *Board Designated Amounts*

The Board of Directors has designated certain net assets without donor restrictions for specific purposes. Amounts were designated for operations, capital and benevolence purposes. Inasmuch as these amounts have no donor restrictions, they are included in net asset without donor restrictions on the accompanying statements of financial position. The Board may rescind the designation of these amounts at any time.

##### *Cash and cash equivalents*

Cash and cash equivalents include cash on hand and general operating funds held in checking, savings and money market accounts. The Community considers all short-term investments with an original maturity of three months or less to be cash equivalents.

##### *Investments*

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investment return (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in net assets without donor restrictions, unless its use is restricted by explicit donor stipulations or law.

##### *Funds established at other organizations*

Certain funds were established at the Jewish Community Foundation by third party contributors for the benefit of the Community. The funds are under the administration of the Jewish Community Foundation and it has variance power as defined under Generally Accepted Accounting Principles; therefore, the asset values are not carried on the financial statements of the Community.

The market value of the funds was approximately \$2,151,224 and \$2,185,311 at June 30, 2019 and 2018, respectively. During the years ended June 30, 2019 and 2018, the Community received \$96,516 and \$96,815, respectively, from the funds.

##### *Accounts receivable*

Receivables for revenue from services to residents are recorded at the estimated net realizable amounts from third-party payors based on contractual agreements. An allowance for doubtful accounts is established based upon management's estimate of uncollectible accounts receivable. Accounts receivable are charged against the allowance when all third-party payor options have been exhausted. Subsequent recoveries of bad debts are credited to the allowance. The balance of the allowance account was \$111,566 and \$76,332 at June 30, 2019 and 2018, respectively. Accounts receivable over 90-days old at June 30, 2019 and 2018, were \$270,919 and \$408,365, respectively.

## The Reutlinger Community

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### NOTE 2 - Summary of Significant Accounting Policies (continued)

##### *Contribution receivable – beneficial interest in testamentary trust*

The Community has been named as a final beneficiary of the following trust established by donors.

As of June 30, 2015, all other obligations of the trust have been met and the remaining trust property, including any income that has accrued, is to be distributed to the Community. The distributions may only be used for the construction or reconstruction of a building or part of a building that shall be named after the donor. The construction project must be approved by the trustee. If the trustee and the Community cannot come to an agreement on a construction project, the trustee shall identify an alternative capital project or program assistance within the Community, taking into account the needs of the Community and the funds available. The contribution was recorded at the fair value of total property in the trust, less approved distributions received during the year, as of June 30, 2019 and 2018, which is \$1,754,994 and \$2,689,962, respectively, and is reflected on the accompanying statements of financial position as contribution receivable – beneficial interest in testamentary trust.

##### *Inventories*

Inventories, consisting of food, supplies and linen, are stated at the lower of cost (first-in, first-out) or net realizable value, which is the expected selling price in the ordinary course of business minus any costs of completion, disposal and transportation.

##### *Property, buildings and equipment*

Property, buildings and equipment acquisitions in excess of \$1,000 are capitalized and recorded at cost. Expenditures for replacements and betterments are capitalized, while maintenance and repairs are charged to expense as incurred. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives are as follows:

Land improvements	15 years
Buildings & improvements	7 – 36 years
Equipment & furnishings	5 – 25 years

##### *Debt issuance costs and loan premium*

Costs incurred in connection with the issuance of debt are deferred and are being amortized over the term of the related financing agreement.

The premium associated with the issuance of debt is deferred and is being amortized over the term of the related financing agreement.

##### *Collections*

The Community operates a Judaica museum (“Museum”). The Museum’s collection consists of art objects that are held for educational and curatorial purposes. Each of the items is cataloged and preserved. Activities to verify the existence of the items and to assess the condition of each item are performed continuously.

## The Reutlinger Community

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### NOTE 2 - Summary of Significant Accounting Policies (continued)

##### *Collections (continued)*

Collection items, which have been acquired through contributions since the Community's inception, are not recognized as assets on the statements of financial position. Purchases of collection items are recorded as decreases in assets without restriction in the year in which the items are acquired. To date, the Community has not made any purchases of art objects for the collection. Contributed collection items are not reflected in the financial statements.

##### *Donated services*

Significant amounts of time from a large number of individuals have been donated to the Community. The financial statements do not reflect the value of those donated services, although substantial, as no reliable basis exists for reasonably determining their value.

##### *Continuing care contracts*

The Community was certified by the State of California Department of Social Services with a provisional license to operate as a CCRC. During the year ended June 30, 2019, a permanent license was issued. The Community has calculated the present value of the net cost of future services and the use of facilities to be provided to current residents and has compared that amount to expected patient and resident service income from continuing care contracts. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to expense. For the year ended June 30, 2019, the calculation resulted in no future service liability. The discount rate used was 5%.

A continuing care contract entitles a resident to reside in a specific unit and to use the services of the Community during his or her lifetime. Under the continuing care contract term, residents are charged monthly fees based on rates for basic services, continuing care charges and level of care fees, as approved by the Board of Directors.

##### *Patient and resident services*

Patient and resident's monthly fees and nursing services revenue are recognized according to contracted rates and in the period when the service is provided.

##### *Contributions*

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

## The Reutlinger Community

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### NOTE 2 - Summary of Significant Accounting Policies (continued)

##### *Contributions (continued)*

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets being placed in service.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the asset must be used, the contribution is recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions. Expenses incurred to prepare and sell the donated property are capitalized. Proceeds from the sale of the property are netted against the cost basis, including capitalized costs, and a realized gain or loss is recorded when the asset is sold.

##### *Amortization of entrance fees*

Lump sum entrance fees are amortized to determine the amount of fees to be included in revenues, in the manner prescribed by the Revenue Recognition Topic of the FASB Accounting Standards Codification. Residents' entrance fees are amortized to income ratably over the expected lives of the residents, beginning with the date of each resident's continuing care agreement. The period of amortization is adjusted annually based on the estimated remaining life expectancy of each individual or joint and last survivor life expectancy of the pair of residents occupying the same unit. The unamortized portion is shown on the balance sheet as deferred revenue. The unamortized portion of entrance fees is summarized as follows:

	Year ended June 30, 2019	Year ended June 30, 2018
Balance, beginning of year	\$ 87,580	\$ 5,000
Sale of contracts	104,920	107,000
Amortization of continuing care contracts	<u>(78,883)</u>	<u>(24,420)</u>
Balance, end of year	\$ <u>113,617</u>	\$ <u>87,580</u>

The Community is obligated to refund a portion of entrance fees to residents who withdraw before 48 months. If the resident withdraws within three months, the entire entrance fee is refunded, less any services rendered. Contracts that are cancelled after the third month are refundable over 48 months, with the refundable amount reduced by two and one-twelfth percent per month or partial month.

Unamortized entrance fees still within a potentially refundable declining period at June 30, 2019 and 2018, were \$104,765 and \$84,249, respectively. Based on the past five years, actual refunds have averaged \$25,355 per year.

## The Reutlinger Community

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### NOTE 2 - Summary of Significant Accounting Policies (continued)

##### *Advertising*

Advertising costs are expensed as they are incurred. Advertising costs for the years ended June 30, 2019 and 2018, were \$214,515 and \$129,864, respectively.

##### *Financial instruments*

The Community's financial instruments consist of investments, resident and third-party receivables, contribution receivable – beneficial interest in testamentary trust, accounts payable, accrued expenses and a mortgage payable. It is management's opinion that the Community is not exposed to significant interest rate or credit risk arising from these instruments. Unless specifically noted, the fair value of these financial instruments approximates their carrying values.

##### *Functional expenses*

The costs of providing the various programs and other activities of the Community have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses which are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Supplies	Direct
Services and other professional fees	Direct
Other expenses	Direct
Occupancy costs	Square footage
Depreciation	Square footage
Interest	Square footage

##### *Adoption of Accounting Standards Changes*

During the year ended June 30, 2019, the Community adopted new accounting guidance, ASU 2016-14, related to not-for-profit entities. The new guidance related to not-for-profit entities addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Community has adjusted the presentation of these items accordingly. The Community elected not to present the functional expense schedule for the year ended June 30, 2018. The guidance has been applied retrospectively to all periods presented.



## The Reutlinger Community

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### Note 3 – Liquidity and Availability

The table below represents financial assets available for general expenditures within one year at June 30, 2019:

Cash and cash equivalents	\$	178,071
Investments without donor restrictions		<u>6,449,458</u>
	\$	<u><u>6,627,529</u></u>

The Community's goal is to maintain financial assets to meet a minimum of 130 days of operating expenses (approximately \$6,191,598) and have sufficient funds available to meet required debt service payments, as required under the terms of the mortgage. As part of its liquidity plan, excess cash is invested in financial instruments, as disclosed in Note 7.

#### NOTE 4 - Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### NOTE 5 - Tax Status

The Community is a tax-exempt organization pursuant to Internal Revenue Code (IRC) Section 501(c)(3) and applicable state laws; therefore, no provision for income taxes has been made in the accompanying financial statements.

The Community follows the provisions of the Income Tax Topic of the FASB Accounting Standards Codification relating to unrecognized tax benefits. This standard requires an entity to recognize a liability for tax positions when there is a 50% or greater likelihood that the position will not be sustained upon examination. The Community is liable for taxes to the extent of any unrelated business income as defined by the IRS regulations. The Community believes that it has not generated any unrelated business income as defined by IRS regulations and that it is more likely than not that this position would be sustained upon examination. As such, there were no liabilities recorded for uncertain tax positions as of June 30, 2019.

## The Reutlinger Community

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### NOTE 6 - Cash and Investments

At June 30, 2019, investments consisted of money market funds in the amount of \$440,415 and mutual funds in the amount of \$9,322,623. At June 30, 2018, investments consisted of money market funds in the amount of \$736,618 and mutual funds in the amount of \$9,050,393.

The use of some cash and investment balances is restricted by board or donor designation as follows:

	June 30,	
	2019	2018
<i><u>Cash and cash equivalents</u></i>		
Unrestricted	\$ 178,071	\$ 237,651
	\$ 178,071	\$ 237,651
<i><u>Investments</u></i>		
Unrestricted	\$ 1,740,641	\$ 2,000,030
Board designated	4,708,817	4,693,953
Donor restricted	3,030,070	2,809,518
Endowment	283,510	283,510
	\$ 9,763,038	\$ 9,787,011

#### NOTE 7 - Fair Value of Financial Instruments

The Community has adopted the requirements of the Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification. This Topic defines fair value and requires enhanced disclosure about assets and liabilities carried at fair value. These additional disclosures are required only for financial assets and liabilities measured at fair value and for nonfinancial assets and liabilities measured at fair value on a recurring basis.

This Topic requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best available information. These assumptions include risks inherent in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model. It also specifies that transaction costs should not be considered in the determination of fair value. According to this Topic, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

This Topic establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy defined by this Topic are as follows:

## The Reutlinger Community

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### NOTE 7 - Fair Value of Financial Instruments (continued)

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are observable, either directly or indirectly, but are not quoted prices included within Level 1. Level 2 includes those financial instruments that are valued using external inputs with models or other valuation methodologies.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to customers’ needs.

As required by this Topic, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value.

The following table shows the Community’s financial assets that were accounted for at fair value on a recurring basis as of June 30, 2019 and 2018:

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2019</u>				
<u>Assets:</u>				
Investments				
Cash & money market funds	\$ 440,415	\$ 440,415	\$ -	\$ -
Short-term funds	1,448,881	1,448,881	-	-
Bonds	2,382,639	2,382,639	-	-
High-yield funds	434,489	434,489	-	-
Stock market index funds	4,850,572	4,850,572	-	-
Commodity funds	206,042	206,042	-	-
	<u>\$ 9,763,038</u>	<u>\$ 9,763,038</u>	<u>\$ -</u>	<u>\$ -</u>

**The Reutlinger Community**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**NOTE 7 - Fair Value of Financial Instruments (continued)**

	Fair Value Measurements at Reporting Date Using:			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<u>June 30, 2018</u>				
<u>Assets:</u>				
Investments				
Cash & money market funds	\$ 736,618	\$ 736,618	\$ -	\$ -
Short-term funds	1,433,001	1,433,001	-	-
Bonds	2,212,358	2,212,358	-	-
High-yield funds	394,979	394,979	-	-
Stock market index funds	4,823,576	4,823,576	-	-
Commodity funds	186,479	186,479	-	-
	<u>\$ 9,787,011</u>	<u>\$ 9,787,011</u>	<u>\$ -</u>	<u>\$ -</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. There were no assets valued using Level 2 or Level 3 inputs.

**The Reutlinger Community**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**NOTE 8 - Mortgage Payable**

Mortgage payable consists of the following:

	June 30,	
	2019	2018
First Republic Bank Mortgage	\$ 5,801,398	\$ 6,049,886
Less: current portion of long-term debt	(256,867)	(247,181)
	5,544,531	5,802,705
Less: unamortized debt issuance costs	(195,798)	(207,665)
Plus: unamortized premium	49,250	52,250
	\$ 5,397,983	\$ 5,647,290

Future annual principal payments are as follows for the year ending June 30:

2020	\$ 256,867
2021	266,933
2022	277,393
2023	288,263
2024	299,559
Thereafter	4,412,383
	\$ 5,801,398

The maximum amount available under this loan was \$10,000,000. Subject to the limitations specified in the mortgage loan agreement, the Community was allowed to make additional draws on the loan up to the \$10,000,000 limit through December 28, 2013 (the Draw period). Payments of interest only at 4.5% were due on the first of each month during the Draw period. At the conclusion of the Draw period, \$7,017,940 had been drawn by the Community. Beginning January 1, 2014, monthly principal and interest payments in the amount of \$42,469 were due through the maturity date of the loan. Interest was 4.5%. During the year ended June 30, 2015, the Community entered into an amended loan agreement which reduced the interest rate to 3.85%. As of May 1, 2015, monthly principal and interest payments in the amount of \$40,264 are due through the maturity date of December 1, 2035.

The mortgage is secured by the real and personal property of the Danville Facility. The mortgage has various covenants, including a debt service coverage ratio and minimum liquid assets, all of which were met for the year ended June 30, 2019. As of June 30, 2018, the Community was not in compliance with one of the covenants; however, the Community received a waiver from First Republic Bank on the covenant for the year ended June 30, 2018.

**The Reutlinger Community**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**NOTE 9 - Net Assets**

Net assets with donor restrictions for the years ended June 30 are as follows:

	2019	2018
Subject to expenditure for specified purpose:		
Patient Care, Resident Activities, Capital		
Improvements, Employee Appreciation	\$ 2,876,442	\$ 2,809,518
Renew Reutlinger	1,908,623	2,689,962
	4,785,065	5,499,480
 Endowment in perpetuity	 283,510	 283,510
Total	\$ 5,068,575	\$ 5,782,990

Changes to net assets subject to expenditure for specified purposes during fiscal years ended June 30, 2019 and 2018, are as follows:

	Patient Care, Resident Activities, Capital Improvements, Employee Appreciation	Renew Reutlinger	Total
Balance at June 30, 2017	\$ 3,282,878	\$ 2,776,496	\$ 6,059,374
Contributions	159,134	1,300	159,134
Releases	(632,494)	(108,388)	(740,882)
Adjustment to contribution receivable	-	20,554	21,854
Balance at June 30, 2018	2,809,518	2,689,962	5,499,480
Contributions	511,320	-	511,320
Releases	(444,396)	(808,371)	(1,252,767)
Adjustment to contribution receivable	-	27,032	27,032
Balance at June 30, 2019	\$ 2,876,442	\$ 1,908,623	\$ 4,785,065

Investment income or loss, as well as unrealized and realized gains and losses are included in the statements of activities as increases or decreases in net assets without donor restriction, unless their use is restricted by explicit donor stipulations or law.

## The Reutlinger Community

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### NOTE 10 – Endowment Funds

The Community has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Community classifies as endowment net assets the original value of gifts donated to the permanent endowment. The policy of the Board of Directors is that all investment income from the endowment fund is unrestricted. In accordance with UPMIFA, the Community considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Community and (7) the Community's investment policy.

The terms of the agreement on the sale of the prior facility used by the Community and previously operated by the Jewish Community Federation of the Greater East Bay required that a portion of the proceeds of the sale, consisting of a \$255,000 purchase money note receivable, be deposited into a separate endowment fund to be held by the Jewish Community Foundation in perpetuity with the income to be made available for the exclusive benefit of the Community. The note has been paid in full and the proceeds and accumulated interest have been invested in the Charles Schwab account. Currently, \$283,510 is carried as net assets with donor restrictions in the accompanying statements of financial position and income, including increases in value, is reported as net assets without donor restrictions in the accompanying statements of activities.

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires the Community to retain as a fund of perpetual duration. These deficiencies may result from unfavorable market fluctuations that occur shortly after the investment of new contributions with donor restrictions and continued appropriation for certain programs as deemed prudent by the Board of Directors. There were no such deficiencies as of June 30, 2019 and 2018.

**The Reutlinger Community**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**NOTE 10 – Endowment Funds** (continued)

Changes in endowment net assets as of June 30, 2019 and 2018, are as follows:

	<u>Donor-restricted</u>
Balance at June 30, 2017	\$ 283,510
Net investment return	7,419
Net appreciation of investments	12,330
Release of net earnings	<u>(19,749)</u>
Balance at June 30, 2018	283,510
Net income on investments	55,424
Net depreciation of investments	(27,032)
Release of net earnings	<u>(28,392)</u>
Balance at June 30, 2019	\$ <u>283,510</u>

There were no endowment net assets without donor restrictions for the years ended June 30, 2019 and 2018.

**NOTE 11 - Third-Party Payor Revenue**

The Community has agreements to provide care to recipients of Medicare and Medi-Cal programs. The Community charges these residents based on normal posted rates, however, reimbursement by the Medicare and Medi-Cal programs is restricted by various reimbursement guidelines. Net revenues include contractual adjustments, which represent the difference between customary charges and actual payments by Medicare and Medi-Cal.

Net resident revenues from Medicare for the years ended June 30, 2019 and 2018, were \$2,840,421 and \$3,013,336, respectively. Net resident revenues from Medi-Cal for the years ended June 30, 2019 and 2018, were \$2,957,706 and \$2,410,613, respectively.



## The Reutlinger Community

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### NOTE 12 – Involuntary Conversion of Property, Buildings and Equipment

In May 2019, the building experienced water damage after a temporary boiler that was in place until a permanent boiler could be installed leaked overnight, causing damage to two apartments and the rehab room. The Revenue Recognition Topic of the FASB Accounting Standards Codification requires the effect of this event to be presented as a gain or loss on involuntary conversion of fixed assets reported outside of net operating results on the accompanying statements of activities.

The table below shows the effect of this event on the Community's financial statements:

Insurance proceeds recorded during the year ended June 30, 2019	\$	231,112
Restoration costs expensed during the year ended June 30, 2019		(97,673)
Insurance proceeds recorded for business interruption for the year ended June 30, 2019		<u>163,565</u>
Total net gain on involuntary conversion of fixed assets	\$	<u>297,004</u>

#### NOTE 13 - Employee Benefit Plan

The Community has adopted a defined contribution 403(b) pension plan (the Plan) covering all employees. Total contributions to the Plan for the years ended June 30, 2019 and 2018, were \$143,398 and \$148,477, respectively. The total contributions made by the Community were for the benefit of non-union employees only. All eligible employees are able to make contributions into the Plan.

#### NOTE 14 - Concentration of Credit Risk

The Community provides care to residents under the Medicare and Medi-Cal programs. Noridian Healthcare Solutions, LLC and the State of California Department of Health Care Services are the agencies responsible for payment for services to Medicare and Medi-Cal residents, respectively.

The Community's operations are concentrated in the skilled nursing and assisted living markets. The Community operates in a heavily regulated environment. At various times during the year and at year-end, the Community had cash balances in excess of Federal Deposit Insurance Company insurable limits. The Community invests its cash and cash equivalents with what it believes to be high quality financial institutions and thus limits credit exposure.

The Community also grants credit to private residents, on an unsecured basis.

## **The Reutlinger Community**

### **NOTES TO FINANCIAL STATEMENTS**

(Continued)

#### **NOTE 15 – Statutory Reserves**

The Community is certified as a Continuing Care Retirement Community (CCRC) by the State of California Department of Social Services. California Code Chapter 10, Article 6, Section 1792 requires CCRC's to establish "liquid reserves" (cash, marketable securities, etc.) equal to, or greater than the annual principal and interest payments on long-term obligations due during the next fiscal year plus 75 days of the CCRC's adjusted operating expenses. The Community's liquid reserves at June 30, 2019, were sufficient to meet this requirement.

#### **NOTE 16 - Concentration of Source of Labor Supply**

The Community's nurses and other supporting services personnel (representing 72% of the total employees) are members of the SEIU UHW. The contract expired on December 31, 2017. During the year ended June 30, 2018, a new agreement was negotiated and the new contract expires on December 31, 2020. The Community's other employees are not represented by a union.

#### **NOTE 17 - Contingency**

The Community is subject to various claims for damages that arise in the normal course of business. All claims have been referred to the Community's insurance carrier and are in various stages of investigation, discovery or pretrial. In management's opinion, although the outcomes of these claims are unknown at this time, any losses that may occur would be covered by the Community's insurance company, and therefore, should not have a material impact on the Community's financial position or activities.

The Community is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations relate to, among other things, matters such as licensure, accreditation, and government health care program participation requirements, regulations regarding reimbursement for patient services and regulations regarding Medicare and Medi-Cal billing, fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as significant repayments for patient services previously billed. Management is not aware of any actions or potential actions as of June 30, 2019.

While purchase obligations are generally cancellable without penalty, certain vendors charge cancellation fees. The Community has entered into a long-term, volume-based purchase agreement for electricity. Under this agreement the Community is committed to purchase a minimum monthly amount of energy at a fixed price per kilowatt hour. Cancellation of this contract would incur a significant penalty.

**The Reutlinger Community**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**NOTE 18 – Functional Expense Schedule**

For the Year Ended June 30, 2019

	Skilled Nursing	Assisted Living	Tikvah	Traditions	Ancillary	Programs Subtotal	Direct Support Services	Administration	Fundraising	Total
Salaries and benefits	\$ 3,273,021	\$ 1,724,421	\$ 969,392	\$ 608,411	\$ -	\$ 6,575,245	\$ 3,174,867	\$ 1,534,934	\$ 97,285	\$ 11,382,331
Supplies	130,669	47,319	-	-	64,720	242,708	1,015,982	12,401	11,385	1,282,476
Services and other professional fees	209,864	179,931	-	11,700	972,051	1,373,546	1,592,612	1,441,649	16,118	4,423,925
Other expenses	64,814	35,191	-	-	-	100,005	77,076	147,267	1,738	326,086
Occupancy costs	22,914	58,669	30,667	13,517	1,014	126,781	27,298	2,704	-	156,783
Depreciation	175,833	450,317	235,471	103,782	7,564	972,967	203,654	20,174	-	1,196,795
Interest	35,783	91,642	47,919	21,120	1,539	198,003	41,445	4,103	-	243,551
<b>Total expenses</b>	<b>\$ 3,912,898</b>	<b>\$ 2,587,490</b>	<b>\$ 1,283,449</b>	<b>\$ 758,530</b>	<b>\$ 1,046,888</b>	<b>\$ 9,589,255</b>	<b>\$ 6,132,934</b>	<b>\$ 3,163,232</b>	<b>\$ 126,526</b>	<b>\$ 19,011,947</b>

**The Reutlinger Community**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**NOTE 19 - Subsequent Events**

In September, 2019, the Board of Directors voted on and passed a resolution to release all assets designated as board-restricted from restrictions.

Subsequent to year end, the Community was in process of finalizing an affiliation transaction with Eskaton.

The Community did not have any other subsequent events through October 31, 2019, which is the date the financial statements were issued, requiring recording or disclosure in the financial statements for the year ended June 30, 2019.

**PART 5**  
**LIQUID RESERVES**



**The Reutlinger**  
**Community**

**STATE OF CALIFORNIA DEPARTMENT OF SOCIAL SERVICE**

**ANNUAL REPORT**

**CONTINUING CARE LICENSING DIVISION  
AND  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2019**

**HH**

HANSEN HUNTER & CO. P.C.  
*Certified Public Accountants*



HANSEN HUNTER & CO. P.C.  
*Certified Public Accountants*

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
The Reutlinger Community  
Danville, California

We have audited the accompanying continuing care reserve report (the "Reports") of The Reutlinger Community (the "Organization"), which comprise the continuing care liquid reserve schedules Form 5-1 through Form 5-5 as of June 30, 2019. The Reports have been prepared by management using the liquid reserve requirements of California Health and Safety Code Section 1792.

### **Management's Responsibility for the Reports**

Management is responsible for the preparation and fair presentation of the Reports in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Reports that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these Reports based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the Reports are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Reports. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Reports, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Reports 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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Reports.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



HANSEN HUNTER & CO. P.C.  
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## **Opinion**

In our opinion, the Reports referred to above present fairly, in all material respects, the liquid reserve schedules Form 5-1 through Form 5-5 of The Reutlinger Community as of June 30, 2019, in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792.

## **Basis of Accounting**

We draw attention to the basis of accounting used to prepare the Reports. The Reports were 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. The Reports are not intended to be a complete presentation of the Company's assets, liabilities, revenues and expenses. Our opinion is not modified with respect to this matter.

## **Restriction on Use**

Our report is intended solely for the information and use of the Company 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. However, this report is a matter of public record and its distribution is not limited

*Hansen Hunter & Co. P.C.*

October 31, 2019



**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	12/1/2010	\$248,488	\$234,684		\$483,172
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>					\$483,172

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

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

**PROVIDER:** The Reutlinger Community

**FORM 5-2  
LONG-TERM DEBT INCURRED  
DURING FISCAL YEAR  
(Including Balloon Debt)**

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Total Interest Paid During Fiscal Year	Amount of Most Recent Payment on the Debt	Number of Payments over Next 12 months	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
	<b>TOTAL:</b>				\$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:** The Reutlinger Community

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

<b>Line</b>		<b>TOTAL</b>
1	Total from Form 5-1 bottom of Column (e)	<u>\$483,172</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$0</u>
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	<u>\$0</u>
4	<b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<b><u><u>\$483,172</u></u></b>

**PROVIDER:** The Reutlinger Community

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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$19,011,947</u>
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	<u>\$234,684</u>	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$0</u>	
c.	Depreciation	<u>\$1,196,795</u>	
d.	Amortization	<u>\$8,867</u>	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$9,096,393</u>	
f.	Extraordinary expenses approved by the Department	<u>\$0</u>	
3	Total Deductions		<u>\$10,536,739</u>
4	Net Operating Expenses		<u>\$8,475,208</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$23,220</u>
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.		<u><u>\$1,741,500</u></u>
<b>PROVIDER:</b>	<u>The Reutlinger Community</u>		
<b>COMMUNITY:</b>	<u>The Reutlinger Community</u>		

**FORM 5-4**

**CALCULATION OF NET OPERATING EXPENSES: RECONCILIATION OF LINE 2D**

Amortization of debt issuance costs	\$ 11,867
Amortization of debt premium	<u>(3,000)</u>
Amortization (Line 2D)	<u>\$ 8,867</u>

**CALCULATION OF NET OPERATING EXPENSES: RECONCILIATION OF LINE 2E**

Total resident revenues and other support	\$ 19,457,340
Less: amortization of entrance fees	(21,846)
Less: net assets released from restriction	(1,252,767)
Less: contributions	(850,639)
Less: investment return, net	<u>(482,617)</u>
Total operating revenue for services to residents	16,849,471
Net increase in accounts receivable	(716,700)
Net decrease in deferred revenue	<u>(58,915)</u>
Cash received from residents per statement of cash flows	<u>\$ 16,073,856</u>
Revenues received during the fiscal year for services to persons who did not have a continuing care contract (Line 2E)	\$ 9,096,393
Net change in accounts receivable, allowable for doubtful accounts, deferred revenue and community fee payables – persons who did not have a continuing care contract	139,990
Revenues received during the fiscal year for services to persons under a continuing care contract	7,735,680
Net change in accounts receivable, allowable for doubtful accounts, deferred revenue and community fee payables – persons under a continuing care contract	(54,657)
Other support and net change in other support accounts receivable	<u>(843,550)</u>
Cash received from residents per statement of cash flows	<u>\$ 16,073,856</u>

**FORM 5-5  
ANNUAL RESERVE CERTIFICATION**

Provider Name: The Reutlinger Community

Fiscal Year Ended: JUNE 30, 2019

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the Period ended JUNE 30, 2019 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	\$483,172
[2]	Operating Expense Reserve Amount	\$1,741,500
[3]	<b>Total Liquid Reserve Amount:</b>	<b>\$2,224,672</b>

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

	<u>Qualifying Asset Description</u>	<u>Amount</u> (market value at end of quarter)	
		<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4]	Cash and Cash Equivalents	\$0	\$178,071
[5]	Investment Securities	\$0	\$0
[6]	Equity Securities	\$1,327,306	\$5,122,152
[7]	Unused/Available Lines of Credit	\$0	\$0
[8]	Unused/Available Letters of Credit	\$0	\$0
[9]	Debt Service Reserve	\$0	(not applicable)
[10]	Other:	\$0	\$0
	<hr/> <hr/> (describe qualifying asset)		
	<b>Total Amount of Qualifying Assets Listed for Reserve Obligation:</b>	[11] \$1,327,306	[12] \$5,300,223
	<b>Reserve Obligation Amount:</b>	[13] \$483,172	[14] \$1,741,500
	<b>Surplus/(Deficiency):</b>	[15] \$844,134	[16] \$3,558,723

Signature:



(Authorized Representative)

Date: 10/31/2019

Chief Financial Officer

(Title)

The Reutlinger Community

**FORM 5-5**

**ANNUAL RESERVE CERTIFICATION: RECONCILIATION OF LINES 4, 6, 11 and 12**

Cash and cash equivalents	\$	178,071
Investments		<u>9,763,038</u>
		9,941,109
Less: endowment (Audited Financial Statements - Note 6)		(283,510)
Less: donor restricted investments (Audited Financial Statements - Note 6)		<u>(3,030,070)</u>
Total cash and investments without donor restrictions	\$	<u>6,627,529</u>
Cash and cash equivalents (Line 4)	\$	<u>178,071</u>
Equity securities – debt service reserve (Line 6) Investments – board designated – debt service		<u>1,327,306</u>
Equity securities – operating reserve (Line 6) Investments – unrestricted Investments – board designated – other		<u>1,740,641</u> <u>3,381,511</u>
Total equity securities – operating reserve (Line 6)		<u>5,122,152</u>
Total amount of qualifying assets (Line 11 and 12)	\$	<u>6,627,529</u>

The Reutlinger Community

**Note 1 to the Continuing Care Reserve Report (Part 5)**

The continuing care reserve report included in Part 5 has been prepared in accordance with the report preparation provisions of the California Health and Welfare Code (the Code), Section 1792.

Section 1792 of the Code indicates that the Organization should maintain at all times qualifying assets as a liquid reserve in an amount that equals or exceeds the sum of the following:'

- The amount the provider is required to hold as a debt service reserve under Section 1792.3.
- The amount the provider must hold as an operating expense reserve under Section 1792.4.

In accordance with the Code, the Organization has computed its liquid reserve requirement as of June 30, 2019, the Organization's most recent fiscal year end, and the reserve is based on audited financial statements for that period.



The Reutlinger Community

**H&SC SECTION 1790(a)(2) and (3) DISCLOSURE**

▪ Description of all Reserves Maintained

	JUNE 30,	
	2019	2018
Cash and cash equivalents	\$ 178,071	\$ 237,651
	<u>178,071</u>	<u>237,651</u>
<u>Investments</u>		
Unrestricted	1,740,641	2,000,030
Board designated	4,708,817	4,693,953
Donor restricted	3,030,070	2,809,518
Endowment	283,510	283,510
	<u>9,763,038</u>	<u>9,787,011</u>
	\$ <u>9,941,109</u>	\$ <u>10,024,662</u>

▪ Funds Accumulated for Specific Projects or Purposes

- The unrestricted cash and cash equivalents and unrestricted investments are used for operations.
- The board designated investments will be used for debt service and purposes approved by the Board of Directors.
- The temporarily restricted funds are restricted by donor for patient care and purchases of property and equipment.
- Investment returns on the temporarily restricted funds are set aside for operations.
- Investment returns on the endowment funds are set aside for operations.

▪ Per Capita Cost of Operations

Total operating Expenses (Form 5-4, Line 1)	\$ 19,011,947
Mean number of all residents (Form 1-1 Line 10)	<u>                  / 132</u>
	\$ <u>          144,030</u>

**PART 6**  
**CONTINUING CARE RETIREMENT COMMUNITY**  
**DISCLOSURE STATEMENT**

**Continuing Care Retirement Community  
Disclosure Statement  
General Information**

Date Prepared: 10/31/2019

FACILITY NAME: The Reutlinger Community  
 ADDRESS: 4000 Camino Tassajara, Danville, CA ZIP CODE: 94506 PHONE: (925) 964-2062  
 PROVIDER NAME: The Reutlinger Community FACILITY OPERATOR: The Reutlinger Community  
 RELATED FACILITIES: NONE RELIGIOUS AFFILIATION: Jewish  
 YEAR OPENED: 1994 # OF ACRES: 6.3  SINGLE STORY  MULTI-STORY  OTHER: Both MILES TO SHOPPING CTR: 1  
 MILES TO HOSPITAL: 5

**NUMBER OF UNITS:**

<b>RESIDENTIAL LIVING</b>	<b>HEALTH CARE</b>
APARTMENTS - STUDIO: <u>0</u>	ASSISTED LIVING: <u>64</u>
APARTMENTS – 1 BDRM: <u>0</u>	SKILLED NURSING: <u>60</u>
APARTMENTS – 2 BDRM: <u>0</u>	SPECIAL CARE: <u>28</u>
COTTAGES/HOUSES: <u>0</u>	DESCRIBE SPECIAL CARE: <u>ALZEHEIMER'S AND DEMENTIA</u>
RLU OCCUPANCY (%) AT YEAR END: <u>N/A%</u>	

**TYPE OF OWNERSHIP:**  NOT-FOR- PROFIT  FOR PROFIT ACCREDITED?:  YES  NO BY: \_\_\_\_\_

**FORM OF CONTRACT:** (check all that apply)  CONTINUING CARE  LIFE CARE  ENTRANCE FEE  FEE FOR SERVICE  
 ASSIGNMENT OF ASSETS  EQUITY  MEMBERSHIP  RENTAL

**REFUND PROVISIONS (Check all that apply):**  Refundable  Repayable  90%  75%  50%  OTHER: Prorated to 0%

**RANGE OF ENTRANCE FEES:** \$0 TO \$5,000 **LONG-TERM CARE INSURANCE REQUIRED?**  YES  NO

**HEALTH CARE BENEFITS INCLUDED IN CONTRACT:** NO

**ENTRY REQUIREMENTS:** MIN. AGE: N/A PRIOR PROFESSION: N/A OTHER: \_\_\_\_\_

**RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBERS ON, THE BOARD**  
*(briefly describe provider's compliance and residents' roles):* Two resident representative positions on the Board of Directors.  
There is one voting member (Resident Council President) and one non-voting member. The non-voting representative is selected by the Resident Council.

COMMON AREA AMENITIES			FACILITY SERVICES AND 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 (4 TIMES/MONTH)	<u>Yes</u>	<u>Yes</u>
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	MEALS (3/DAY)	<u>Yes</u>	<u>Yes</u>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL – INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL – OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION –PERSONAL	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
WORKSHOP	<input type="checkbox"/>	<input type="checkbox"/>	OTHER <u>ART ROOM</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OTHER <u>ART ROOM</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

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.

PROVIDER NAME: The Reutlinger Community

CCRCs	LOCATION (City, State)	PHONE (with area code)

**MULTI-LEVEL RETIREMENT COMMUNITIES**


**FREE-STANDING SKILLED NURSING**


**SUBSIDIZED SENIOR HOUSING**


**\*NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.**

PROVIDER NAME: The Reutlinger Community

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	\$ 15,834,882	\$ 17,695,594	\$ 16,538,350	\$ 17,332,088
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, & interest)	16,063,632	16,794,236	17,113,733	17,571,601
<b>NET INCOME (LOSS) FROM OPERATIONS</b>	<u>(228,750)</u>	<u>901,358</u>	<u>(575,383)</u>	<u>(239,513)</u>
<b>LESS INTEREST EXPENSE</b>	259,794	250,316	241,181	231,684
<b>PLUS CONTRIBUTIONS</b>	5,837,589	2,097,525	981,511	2,103,406
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	-	-	-	-
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	\$ 5,349,045	\$ 2,748,567	\$ (164,947)	\$ 1,632,209
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	\$ -	\$ -	\$ 107,000	\$ 47,883

**DESCRIPTION OF SECURED DEBT (AS OF MOST RECENT FISCAL YEAR END)**

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
First Republic Bank Mortgage	\$5,801,398	3.85%	12/1/2010	12/1/2035	25 YEARS

**FINANCIAL RATIOS** (see next page for ratio formulas)

	<b>2018 CCAC Medians 50<sup>th</sup> Percentile (optional)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>DEBT TO ASSET RATIO</b>	[ ]	17.51	17.51	16.85
<b>OPERATING RATIO</b>	[ ]	1.00	1.07	1.04
<b>DEBT SERVICE COVERAGE RATIO</b>	[ ]	6.21	1.06	3.96
<b>DAYS CASH-ON-HAND RATIO</b>	[ ]	147	146	136

**HISTORICAL MONTHLY SERVICE FEES**  
(AVERAGE FEE AND PERCENT CHANGE)

	<b>2016</b>	<b>%</b>	<b>2017</b>	<b>%</b>	<b>2018</b>	<b>%</b>	<b>2019</b>	<b>%</b>
<b>STUDIO</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>ONE BEDROOM</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>TWO BEDROOM</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>COTTAGE/HOUSE</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>ASSISTED LIVING</b>	\$7,818.75	3.8%	\$8,115.00	(1.0%)	\$8,030.47	3.2%	\$8,287.44	5.0%
<b>SKILLED NURSING</b>	\$9,367.50	5.7%	\$9,900.00	10.0%	\$10,890.00	5.0%	\$11,434.50	10.0%
<b>SPECIAL CARE</b>	\$7,783.80	2.7%	\$7,991.65	(11.6%)	\$7,065.95	3.2%	\$7,292.07	5.0%

**COMMENTS FROM PROVIDER:** Fees vary according to size of unit and amenities/services provided.  
"Average fees" are for the units available at the time of pricing, based on average rate per day x 30 days.

### FINANCIAL RATIO FORMULAS

#### LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

#### OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ \text{— Depreciation Expense} \\ \text{— Amortization Expense} \end{array}}{\begin{array}{l} \text{Total operating Revenues} \\ \text{— Amortization of Deferred Revenue} \end{array}}$$

#### Debt Service Coverage Ratio

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ \text{+ Interest, Depreciation} \\ \text{and Amortization Expenses} \\ \text{— Amortization of Deferred Revenue} \\ \text{+ Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

#### DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash} \\ \text{and Investments} \\ \text{+ Unrestricted Non-Current Cash} \\ \text{and Investments} \end{array}}{\begin{array}{l} \text{(Operating Expenses — Depreciation} \\ \text{— Amortization)/365} \end{array}}$$

**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.

**PART 7**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	N/A	\$5,576- \$8,701	\$9,636 - \$13,068
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	N/A	5.0%	10.0%

Check here if monthly service fees at this community were not increased during the Reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: July 1, 2018  
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

**PROVIDER:** The Reutlinger Community

**COMMUNITY:** The Reutlinger Community



The Reutlinger Community

**FORM 7-1** *Explanations for Increase in Monthly Service Fees*

▪ Summary of Documents Used in Determining Rate Adjustment

Rate increases are approved by the Board of Directors in conjunction with the annual budget. The amount of increase is determined during the budget process for the next fiscal year. This process starts in early spring by assessing the organization's anticipated expenses in consideration of the current and projected level of operations. Once expenses have been forecasted, the finance department determines the rate adjustment needed to maintain financial viability. This rate adjustment is also reviewed in comparison to other providers located in the same region. The results and recommendations of the finance department are then reviewed by the finance committee where additional adjustments maybe made. Ultimately the budget, with rate adjustments, is presented to the board for approval.

Effective July 1, 2018, monthly service fee increases for Skilled Nursing were 10%.

Effective July 1, 2018, monthly service fee increases for Assisted Living were 5%.

Effective July 1, 2018, monthly service fee increases for Memory Care were 5%.

**PART 8**  
**KEY INDICATORS REPORT**

**KEY INDICATORS REPORT  
THE REUTLINGER COMMUNITY  
FISCAL YEAR ENDED JUNE 30, 2019**

Date Prepared: 10/31/2019

  
Chief Financial Officer Signature

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.

	2015	2016	2017	2018	2019	Projected 2020	2021	2022	2023	2024	Preferred Trend Indicator
<b>OPERATIONAL STATISTICS</b>											
1. Average Annual Occupancy by Site (%)	83.0%	86.4%	89.4%	79.3%	77.5%	90.5%	90.5%	90.5%	90.5%	90.5%	N/A
<b>MARGIN (PROFITABILITY) INDICATORS</b>											
2. Net Operating Margin (%)	(0.3)%	(2.0)%	(0.1)%	(7.6)%	(3.8)%	(2.1)%	(0.7)%	0.0%	0.6%	1.3%	↑
3. Net Operating Margin – Adjusted (%)	(0.3)%	(2.0)%	(0.1)%	(6.9)%	(3.5)%	(1.7)%	(0.3)%	0.4%	1.0%	1.7%	↓
<b>LIQUIDITY INDICATORS</b>											
4. Unrestricted Cash and Investments (\$000)	7,587	7,395	6,846	6,932	6,628	7,175	7,318	7,464	7,614	7,766	↑
5. Days Cash on Hand (Unrestricted)	195	165	147	146	136	142	142	141	140	140	↑
<b>CAPITAL STRUCTURE INDICATORS</b>											
6. Deferred Revenue from Entrance Fees (\$000)	-	-	5	88	114	114	114	114	114	114	N/A
7. Net Annual E/F proceeds (\$000)	-	-	-	107	48	77	77	77	77	77	N/A
8. Unrestricted Net Assets (\$000)	16,193	20,778	22,416	21,413	22,155	20,591	20,797	21,005	21,215	21,427	N/A
9. Annual Capital Asset Expenditure (\$000)	1,705	5,004	2,261	564	931	1,302	1,302	1,302	628	628	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	2.95	11.68	6.21	0.84	3.86	1.47	1.69	1.93	2.20	2.50	↑
11. Annual Debt Service Coverage (x)	2.95	11.68	6.21	1.06	3.96	1.64	1.86	2.10	2.37	2.67	↑
12. Annual Debt Service/Revenue (%)	0.03	0.02	0.03	0.03	0.03	0.02	0.02	0.02	0.02	0.02	↓
13. Average Annual Effective Interest Rate (%)	4.37%	3.82%	3.85%	3.85%	3.85%	3.80%	3.92%	4.05%	4.20%	4.36%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	112%	112%	108%	114%	113%	128%	136%	145%	155%	167%	↑
15. Average Age of Facility (years)	14.93	15.74	11.78	11.96	12.79	13.24	13.04	12.85	12.68	12.53	↓