



*Reports of Independent Auditors on Supplementary Information and
Continuing Care Liquid Reserve Schedules with
Supplementary Schedules*

Sequoia Living, Inc.

For the Year Ended December 31, 2021



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Report of Independent Auditors on Supplementary Information

To the Board of Directors
Sequoia Living, Inc.

We have audited the consolidated financial statements of Sequoia Living, Inc. (the “Organization”), not presented herein, as of and for the year ended December 31, 2021, and issued our report thereon dated April 29, 2022, in which we indicated the extent of our reliance on the report of other auditors.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary financial information on pages 3 through 5 is presented for purposes of additional analysis and is not a required part of the basic consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary financial information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Moss Adams LLP

San Francisco, California
April 29, 2022

Financial Statements

Sequoia Living, Inc.
Details of Operations Sequoias – San Francisco
For the Year Ended December 31, 2021 (dollars in thousands)

	<u>2021</u>
Operating revenues and other income	
Resident fees	\$ 21,167
Amortization of entrance fees	6,910
Fees for services and other income	<u>5,107</u>
	33,184
Support	
Contributions	<u>19</u>
Total operating revenues, other income, and support	<u>33,203</u>
Expenses	
Compensation and benefits	11,850
Purchased services	5,816
Medical services	770
Supplies	822
Repairs and maintenance	1,053
Utilities	1,342
Professional fees	517
Depreciation	4,316
Interest	980
Other operating	<u>3,659</u>
Total expenses	<u>31,125</u>
Excess of operating revenues, other income, and support over expenses	<u>2,078</u>
Other changes	
Grants used for programs and facilities	<u>282</u>
Change in net assets without donor restrictions	<u><u>\$ 2,360</u></u>

Sequoia Living, Inc.
Details of Operations Sequoias – Portola Valley
For the Year Ended December 31, 2021 (dollars in thousands)

	2021
Operating revenues and other income	
Resident fees	\$ 18,942
Amortization of entrance fees	5,842
Fees for services and other income	4,903
	29,687
Support	
Contributions	58
Total operating revenues, other income, and support	29,745
Expenses	
Compensation and benefits	9,083
Purchased services	7,951
Medical services	1,131
Supplies	940
Repairs and maintenance	1,163
Utilities	1,553
Professional fees	422
Depreciation	3,527
Interest	625
Other operating	3,148
Total expenses	29,543
Excess of operating revenues, other income, and support over expenses	202
Other changes	
Grants used for programs and facilities	248
Change in net assets without donor restrictions	\$ 450

Sequoia Living, Inc.
Details of Operations Sequoias - Tamalpais
For the Year Ended December 31, 2021 (dollars in thousands)

	<u>2021</u>
Operating revenues and other income	
Resident fees	\$ 17,877
Amortization of entrance fees	6,087
Fees for services and other income	<u>2,147</u>
	26,111
Support	
Contributions	<u>15</u>
Total operating revenues, other income, and support	<u>26,126</u>
Expenses	
Compensation and benefits	9,843
Purchased services	5,759
Medical services	783
Supplies	542
Repairs and maintenance	868
Utilities	1,210
Professional fees	391
Depreciation	3,176
Interest	753
Other operating	<u>3,235</u>
Total expenses	<u>26,560</u>
Deficiency of operating revenues, other income, and support over expenses	<u>(434)</u>
Other changes	
Grants used for programs and facilities	<u>372</u>
Change in net assets without donor restrictions	<u>\$ (62)</u>

Report of Independent Auditors

To the Board of Directors
Sequoia Living, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sequoia Living, Inc., which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended December 31, 2021, and the related note to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the continuing care liquid reserve schedules Form 5-1 through Form 5-5 of Sequoia Living, Inc. as of and for the year ended December 31, 2021, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sequoia Living, Inc. 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 Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sequoia Living, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sequoia Living, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplementary Schedule to Form 5-4: Required Disclosure Under Section 1790 (a)(2) and Supplementary Schedule to Form 5-5: Reconciliation to Audit Report, presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic 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 the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with 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.

The Supplementary Schedule – Additional Disclosures for the year ended December 31, 2021, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management of Sequoia Living, Inc., 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.

Other Information

Management is responsible for the other information included in the California Department of Social Services Annual Report. The other information comprises the Forms 1-1, 1-2, and 7-1, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Moss Adams LLP

San Francisco, California

April 29, 2022

**Long-Term Debt Incurred In A Prior Fiscal Year (Including Balloon Debt)
Year Ended December 31, 2021**

	(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	4/15/2015	\$1,335,000	\$2,704,775	\$0	\$4,039,775
2	6/12/2015	\$194,407	\$838,733	\$0	\$1,033,140
3	10/1/2017	\$323,230	\$967,618	\$0	\$1,290,848
4	12/19/2019	\$0	\$2,127,677	\$0	\$2,127,677
5					
6					
7					
8					
	TOTAL:	\$1,852,637	\$6,638,803	\$0	\$8,491,440

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

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

Long-Term Debt Incurred During Fiscal Year (Including Balloon Debt)
Year Ended December 31, 2021

	(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	7/8/2021	\$0	\$0	8	\$0
2					
3					
4					
5					
6					
7					
8					
	TOTAL:				\$0

(Transfer this amount to Form 5-3, Line 2)

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

Sequoia Living, Inc.
Form 5-3
Calculation of Long-Term Debt Reserve Amount
Year Ended December 31, 2021

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$ 8,491,440
2	Total from Form 5-2 bottom of Column (e)	\$ -
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$ -
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$ 8,491,440

Sequoia Living, Inc.
Form 5-4
Calculation of Net Operating Expenses
Year Ended December 31, 2021

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$ 31,125,000</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$ 980,000</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$ -</u>	
	c. Depreciation	<u>\$ 4,316,000</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>\$ -</u>	
	f. Extraordinary expenses approved by the Department	<u>\$ -</u>	
3	Total Deductions		<u>\$ 5,296,000</u>
4	Net Operating Expenses		<u>\$ 25,829,000</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$ 70,764</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$ 5,307,300</u></u>

PROVIDER: Sequoia Living, Inc.
COMMUNITY: Sequoias - San Francisco

Sequoia Living, Inc.
Form 5-4
Calculation of Net Operating Expenses
Year Ended December 31, 2021

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$ 29,543,000</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$ 625,000</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$ -</u>	
	c. Depreciation	<u>\$ 3,527,000</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>\$ -</u>	
	f. Extraordinary expenses approved by the Department	<u>\$ -</u>	
3	Total Deductions		<u>\$ 4,152,000</u>
4	Net Operating Expenses		<u>\$ 25,391,000</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$ 69,564</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$ 5,217,300</u></u>

PROVIDER: Sequoia Living, Inc.
COMMUNITY: Sequoias - Portola Valley

Sequoia Living, Inc.
Form 5-4
Calculation of Net Operating Expenses
Year Ended December 31, 2021

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$ 26,560,000</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$ 753,000</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$ -</u>	
	c. Depreciation	<u>\$ 3,176,000</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>\$ -</u>	
	f. Extraordinary expenses approved by the Department	<u>\$ -</u>	
3	Total Deductions		<u>\$ 3,929,000</u>
4	Net Operating Expenses		<u>\$ 22,631,000</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$ 62,003</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$ 4,650,225</u></u>

PROVIDER: Sequoia Living, Inc.
COMMUNITY: Tamalpais

Sequoia Living, Inc.
Form 5-5
Annual Reserve Certification
Year Ended December 31, 2021

FORM 5-5: ANNUAL RESERVE CERTIFICATION

Provider Name: Sequoia Living, Inc.
 Fiscal Year Ended: 12/31/2021

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2021 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	\$ 8,491,440
[2] Operating Expense Reserve Amount	\$ 15,174,825
[3] Total Liquid Reserve Amount:	\$ 23,666,265

Qualifying assets sufficient to fulfill the operating reserve and debt service requirements, based on market value at end of fiscal year where applicable, are held as follows:

<u>Qualifying Asset Description</u>	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	\$ 8,491,440	\$ 27,838,560
[5] Investment Securities	\$ -	\$ 553,000
[6] Equity Securities	\$ -	\$ 110,170,000
[7] Unused/Available Lines of Credit	\$ -	\$ -
[8] Unused/Available Letters of Credit	\$ -	\$ -
[9] Debt Service Reserve	\$ -	(not applicable)
[10] Other:	\$ -	\$ -

Qualifying assets used in these reserves are described as follows:

Total Amount of Qualifying Assets

Listed for Reserve Obligation:	[11]	\$ 8,491,440	[12]	\$ 138,561,560
Reserve Obligation Amount:	[13]	\$ 8,491,440	[14]	\$ 15,174,825
Surplus/(Deficiency):	[15]	\$ -	[16]	\$ 123,386,735

Signature:



 (Authorized Representative)

Date: 4/29/2022

CFO

 (Title)

Supplementary Schedules

Sequoia Living, Inc.**Supplementary Schedule to Form 5-4: Required Disclosure Under Section 1790 (a)(2)
Year Ended December 31, 2021**

Description	Sequoias - San Francisco	Sequoias - Portola Valley	Tamalpais
Total operating expenses (Form 5-4, Line 1)	\$ 31,125,000	\$ 29,543,000	\$ 26,560,000
Mean number of all residents (Form 1-1, Line 10)	331	294	272
Per capita cost of operations	\$ 94,033	\$ 100,486	\$ 97,647

Sequoia Living, Inc.
Supplementary Schedule to Form 5-5: Reconciliation to Audit Report
Year Ended December 31, 2021

Financial Statements and Footnotes Description

Cash and cash equivalents - Sequoia Living	\$ 16,681,560
Cash and cash equivalents - Senior Services for Northern California	3,174,000
Marketable securities - money market funds	7,983,000
	<u>27,838,560</u>
Marketable securities - corporate fixed income securities	553,000
Marketable securities - common stock	12,301,000
Marketable securities - equity mutual funds	62,830,000
Marketable securities - fixed income mutual funds	35,039,000
	<u>110,170,000</u>
Total qualifying assets as filed for operating reserve	<u>\$ 138,561,560</u>
Cash and cash equivalents - Sequoia Living	\$ 2,595,440
Limited use assets - debt service reserve fund - Revenue Bond Series 2015	4,041,000
Limited use assets - principal and interest fund - Revenue Bond Series 2015	1,855,000
	<u>8,491,440</u>

Reconciliation to Audited Financial Statements

Cash and cash equivalents	\$ 23,738,000
Marketable securities	118,706,000
Investments, other	10,249,000
Limited use assets, current portion	28,364,000
Limited use assets, noncurrent portion	46,587,000
	<u>227,644,000</u>
Less:	
Cash and cash equivalents - Viamonte Senior Living 1	(1,287,000)
Marketable securities - investment in real estate fund	(10,249,000)
Limited use assets - project fund - Revenue Bond Series 2015	(448,000)
Limited use assets - revenue fund - Revenue Bond Series 2015	(337,000)
Limited use assets - principal and interest fund - Revenue Bond Series 2018	(6,032,000)
Limited use assets - debt service reserve fund - Revenue Bond Series 2018	(5,924,000)
Limited use assets - investments held by trustee in accordance with construction loan agreement	(600,000)
Limited use assets - investments held by trustee for development	(12,829,000)
Limited use assets - investments held by trustee for working capital	(18,001,000)
Limited use assets - investments held by trustee for repayment of revenue bonds	(24,884,000)
	<u>\$ 147,053,000</u>
Total qualifying assets as filed for operating reserve	\$ 138,561,560
Total qualifying assets as filed for debt service reserve	8,491,440
	<u>\$ 147,053,000</u>

Sequoia Living, Inc.
Additional Disclosures (Unaudited)
Year Ended December 31, 2021

Status Description and Amount of Reserves:

Sequoia Living's reserves consist of marketable securities, net of amounts designated for Foundation investments (restricted) of \$119,536,000. Sequoia Living invests approximately 52% of its reserves in equity investments.

Funds accumulated for specific projects and/or contingencies

Sequoia Living's reserves have not been designated for specific needs or projects. They are available to respond to contingencies; provide funding for projects which are internally financed and support Sequoia Living's efforts to grow and serve more seniors consistent with its tax-exempt purpose.

In 2021, Sequoia Living's cash flow from operations including entrance fees was not sufficient to cover its activities, so accumulated cash and marketable securities were required to fund projects. Projects in excess of \$250,000 completed in 2021 were as follows:

Sequoias San Francisco:

Apartment renovations	\$	866,000
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Sequoias Portola Valley:

Main building construction	\$	8,755,780
Apartment renovations	\$	3,460,666
Main building furnishings	\$	287,103

Tamalpais:

Apartment renovations	\$	1,548,302
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Projects included in the 2021 capital budget which are greater than \$250,000 include the following:

Sequoias San Francisco:

HVAC for HC and MCU	\$	500,000
Replace victaulic couplings tower	\$	1,310,400
Carpeting tower	\$	750,000
Gym and storage project	\$	2,024,000
Apartment renovations new program	\$	2,000,000

Sequoia Living, Inc.
Additional Disclosures (Unaudited)
Year Ended December 31, 2021

Sequoias Portola Valley:

Conversion of landscaping to water conservation	\$	750,000
Resident carpeting in corridors (building 1 to 18)	\$	275,000
Replace underground heating hot water	\$	312,460
Replacement of underground piping system	\$	1,063,329
Sprinkler system for duplexes - upper and lower	\$	1,000,000
Install fire alarm	\$	434,070
Installation of sheet rock wall for HC basement area	\$	250,000
Apartment Renovations New Program	\$	1,900,000
Master Plan implementation	\$	1,800,000

Tamalpais:

Terrace planters waterproofing	\$	270,000
FOB program wireless electronic lock system	\$	425,000
Domestic water sewer piping	\$	1,000,000
Fire pump replacement	\$	264,000
Common area refurbishment	\$	725,000
Beds for health center	\$	416,000
Generator for health center	\$	2,250,000
Remodel of laundry	\$	250,000
Residential apartments renovation	\$	1,682,576
Construction of existing IL 2nd floor to AL and Dementia	\$	12,000,000

Sequoia Living, Inc.
Note 1 to the Continuing Care Reserve Report
For the Year Ended December 31, 2021

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. The continuing care reserve report excludes the results of Viamonte Senior Living 1, Inc., which are included in a separate report.

Section 1792 of the Code indicates that Sequoia Living, Inc. 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, Sequoia Living, Inc. has computed its liquid reserve requirement as of and for the year ended December 31, 2021, Sequoia Living, Inc.'s most recent fiscal year end, and the reserve is based on audited financial statements for the period.

