



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, 2022

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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, 2022, and issued our report thereon dated May 10, 2023, 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.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Francisco, California  
May 10, 2023

## **Financial Statements**

**Sequoia Living, Inc.**  
**Details of Operations Sequoias – San Francisco**  
**For the Year Ended December 31, 2022 (dollars in thousands)**

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	2022
Operating revenues and other income	
Resident fees	\$ 22,162
Amortization of entrance fees	6,311
Fees for services and other income	4,570
Total operating revenues and other income	33,043
Expenses	
Compensation and benefits	11,506
Purchased services	6,756
Medical services	783
Supplies	612
Repairs and maintenance	1,225
Utilities	1,508
Professional fees	380
Depreciation	4,137
Interest	947
Other operating	3,735
Total expenses	31,589
Excess of operating revenues and other income over expenses	1,454
Other changes	
Grants used for programs and facilities	295
Change in net assets without donor restrictions	\$ 1,749

**Sequoia Living, Inc.**  
**Details of Operations Sequoias – Portola Valley**  
**For the Year Ended December 31, 2022 (dollars in thousands)**

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	2022
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	7,852
Purchased services	9,943
Medical services	1,183
Supplies	543
Repairs and maintenance	800
Utilities	1,602
Professional fees	328
Depreciation	3,566
Interest	611
Other operating	3,257
Total expenses	29,685
Excess of operating revenues, other income, and support over expenses	60
Other changes	
Grants used for programs and facilities	248
Change in net assets without donor restrictions	\$ 308

**Sequoia Living, Inc.**  
**Details of Operations Sequoias - Tamalpais**  
**For the Year Ended December 31, 2022 (dollars in thousands)**

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	2022
Operating revenues and other income	
Resident fees	\$ 17,877
Amortization of entrance fees	6,087
Fees for services and other income	2,147
	26,111
Support	
Contributions	15
Total operating revenues, other income, and support	26,126
Expenses	
Compensation and benefits	11,117
Purchased services	6,144
Medical services	544
Supplies	543
Repairs and maintenance	797
Utilities	1,367
Professional fees	373
Depreciation	3,066
Interest	721
Other operating	2,920
Total expenses	27,592
Deficit of operating revenues, other income, and support over expenses	(1,466)
Other changes	
Grants used for programs and facilities	372
Change in net assets without donor restrictions	\$ (1,094)



## **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, 2022, 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, 2022, 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.

#### ***Basis of Accounting***

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by Sequoia Living, Inc. on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. 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), Supplementary Schedule to Form 5-4: Reconciliation to Audit Report 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 (Unaudited) for the year ended December 31, 2022, 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.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California  
May 10, 2023

## Sequoia Living, Inc.

### Form 5-1

#### Long-Term Debt Incurred In A Prior Fiscal Year (Including Balloon Debt) Year Ended December 31, 2022

	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	4/15/2015	\$1,400,000	\$2,638,025	\$0	\$4,038,025
2	6/12/2015	\$181,422	\$758,620	\$0	\$940,042
3	10/1/2017	\$337,776	\$953,071	\$0	\$1,290,847
4	12/19/2019	\$0	\$2,761,891	\$0	\$2,761,891
5					
6					
7					
8					
TOTAL:		\$1,919,198	\$7,111,607	\$0	\$9,030,805

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

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

**Sequoia Living, Inc.**  
**Form 5-2**  
**Long-Term Debt Incurred During Fiscal Year (Including Balloon Debt)**  
**Year Ended December 31, 2022**

	(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					
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, 2022**

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Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	<u>\$ 9,030,805</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$ -</u>
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	<u>\$ -</u>
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	<u><u>\$ 9,030,805</u></u>

**Sequoia Living, Inc.**  
**Form 5-4**  
**Calculation of Net Operating Expenses**  
**Year Ended December 31, 2022**

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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$ 31,589,000</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$ 1,096,338</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$ -</u>	
	c. Depreciation	<u>\$ 4,137,000</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>\$ 2,151,337</u>	
	f. Extraordinary expenses approved by the Department	<u>\$ -</u>	
3	Total Deductions		<u>\$ 7,384,675</u>
4	Net Operating Expenses		<u>\$ 24,204,325</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$ 66,313</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$ 4,973,475</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, 2022**

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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$ 29,685,000</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$ 707,185</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$ -</u>	
	c. Depreciation	<u>\$ 3,566,000</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>\$ 2,357,028</u>	
	f. Extraordinary expenses approved by the Department	<u>\$ -</u>	
3	Total Deductions		<u>\$ 6,630,213</u>
4	Net Operating Expenses		<u>\$ 23,054,787</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$ 63,164</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$ 4,737,300</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, 2022**

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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$ 27,592,000</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$ 834,502</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$ -</u>	
	c. Depreciation	<u>\$ 3,066,000</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>\$ 854,651</u>	
	f. Extraordinary expenses approved by the Department	<u>\$ -</u>	
3	Total Deductions		<u>\$ 4,755,153</u>
4	Net Operating Expenses		<u>\$ 22,836,847</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$ 62,567</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$ 4,692,525</u></u>

**PROVIDER:** Sequoia Living, Inc.  
**COMMUNITY:** Tamalpais



**Sequoia Living, Inc.**  
**Form 5-5**  
**Annual Reserve Certification**  
**Year Ended December 31, 2022**

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FORM 5-5: ANNUAL RESERVE CERTIFICATION

Provider Name: Sequoia Living, Inc.  
 Fiscal Year Ended: 12/31/2022

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2022 and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$ 9,030,805
[2] Operating Expense Reserve Amount	\$ 14,403,300
[3] Total Liquid Reserve Amount:	\$ 23,434,105

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	\$ 9,030,805	\$ 21,084,195
[5] Investment Securities	\$ -	\$ 759,000
[6] Equity Securities	\$ -	\$ 76,554,000
[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]	\$ 9,030,805	[12]	\$ 98,397,195
Reserve Obligation Amount:	[13]	\$ 9,030,805	[14]	\$ 14,403,300
Surplus/(Deficiency):	[15]	\$ -	[16]	\$ 83,993,895

Signature:

  
 \_\_\_\_\_  
 (Authorized Representative)

Date: 5/10/2023

CFO  
 \_\_\_\_\_  
 (Title)

## **Supplementary Schedules**

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**Sequoia Living, Inc.**  
**Supplementary Schedule to Form 5-4: Required Disclosure Under Section 1790 (a)(2)**  
**Year Ended December 31, 2022**

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Description	Sequoias - San Francisco	Sequoias - Portola Valley	Tamalpais
Total operating expenses (Form 5-4, Line 1)	\$ 31,589,000	\$ 29,685,000	\$ 27,592,000
Mean number of all residents (Form 1-1, Line 10)	324	291	256
Per capita cost of operations	\$ 97,497	\$ 102,010	\$ 107,781

**Sequoia Living, Inc.**  
**Supplementary Schedule to Form 5-4: Reconciliation to Audit Report**  
**Year Ended December 31, 2022**

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**Form 5-4 Reconciliation**

**Reconciliation to Audited Financial Statements**

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Cash received from services and other income	\$ 15,435,000
Less: Other revenues	<u>(10,071,984)</u>
	<u>\$ 5,363,016</u>

**Sequoia Living, Inc.**  
**Supplementary Schedule to Form 5-5: Reconciliation to Audit Report**  
**Year Ended December 31, 2022**

<b>Financial Statements and Footnotes Description</b>		<b>Qualifying Asset Description (Form 5-5)</b>
Cash and cash equivalents - Sequoia Living	\$ 11,601,195	
Cash and cash equivalents - Senior Services for Northern California	2,530,000	
Marketable securities - money market funds	6,953,000	
	21,084,195	Cash and cash equivalents
Marketable securities - corporate fixed income securities	759,000	Investment securities
Marketable securities - common stock	8,255,000	
Marketable securities - equity mutual funds	41,979,000	
Marketable securities - fixed income mutual funds	26,320,000	
	76,554,000	Equity securities
Total qualifying assets as filed for operating reserve	<b>\$ 98,397,195</b>	
Cash and cash equivalents - Sequoia Living	\$ 4,990,805	
Limited use assets - debt service reserve fund - Revenue Bond Series 2015	4,040,000	
Total qualifying assets as filed for debt service reserve	<b>\$ 9,030,805</b>	Debt service reserves
<b>Reconciliation to Audited Financial Statements</b>		
Cash and cash equivalents	\$ 19,226,000	
Marketable securities	84,266,000	
Investments, other	11,726,000	
Limited use assets, current portion	19,876,000	
Limited use assets, noncurrent portion	52,336,000	
	187,430,000	
Less:		
Cash and cash equivalents - Viamonte Senior Living 1	(104,000)	
Marketable securities - investment in real estate fund	(11,726,000)	
Limited use assets - project fund - Revenue Bond Series 2015	(514,000)	
Limited use assets - revenue fund - Revenue Bond Series 2015	(1,684,000)	
Limited use assets - principal and interest fund - Revenue Bond Series 2018	(1,862,000)	
Limited use assets - debt service reserve fund - Revenue Bond Series 2018	(5,924,000)	
Limited use assets - project fund - Revenue Bond Series 2018	(99,000)	
Limited use assets - revenue fund - Revenue Bond Series 2018	(36,000)	
Limited use assets - investments held by trustee in accordance with construction loan agreement	(600,000)	
Limited use assets - investments held by trustee for development	(1,164,000)	
Limited use assets - investments held by trustee for working capital	(15,721,000)	
Limited use assets - investments held by trustee for repayment of revenue bonds	(40,568,000)	
	\$ 107,428,000	
Total qualifying assets as filed for operating reserve	\$ 98,397,195	
Total qualifying assets as filed for debt service reserve	9,030,805	
	<b>\$ 107,428,000</b>	

**Sequoia Living, Inc.**  
**Additional Disclosures (Unaudited)**  
**Year Ended December 31, 2022**

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**Status Description and Amount of Reserves:**

Sequoia Living's reserves consist of marketable securities, net of amounts designated for Foundation investments (restricted) of \$92,912,000. Sequoia Living invests approximately 46% 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 2022, 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 2022 were as follows:

Sequoias San Francisco:

Apartment renovations	\$	1,416,837
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Sequoias Portola Valley:

Solar project	\$	1,838,000
Apartment renovations	\$	3,677,911

Tamalpais:

Apartment renovations	\$	7,419,427
Nurse call & wanderguard system	\$	1,406,349
1st floor laundry renovation	\$	344,755

Projects included in the 2023 capital budget which are greater than \$250,000 include the following:

Sequoias San Francisco:

Tower carpets paint electrical	\$	314,771
AudStrobe fire alarm tower	\$	1,227,608
Gym and storage project	\$	1,013,563
Apartment renovations new program	\$	2,000,000

**Sequoia Living, Inc.**  
**Additional Disclosures (Unaudited)**  
**Year Ended December 31, 2022**

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Sequoias Portola Valley:

MCU warner design	\$	944,784
Sprinkler system for duplex	\$	839,808
Install fire alarm	\$	1,800,000
Apartment renovations new program	\$	1,900,000

Tamalpais:

Resident refresh	\$	304,123
Apartment renovations new program	\$	1,007,770
MC/AL - construction	\$	6,000,000
Fire pump replacement	\$	277,137

**Sequoia Living, Inc.**  
**Note 1 to the Continuing Care Reserve Report**  
**For the Year Ended December 31, 2022**

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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, 2022, Sequoia Living, Inc.'s most recent fiscal year end, and the reserve is based on audited financial statements for the period.



