

KENDAL AT SONOMA
CONTINUING CARE RESERVE REPORT
YEAR ENDED DECEMBER 31, 2023



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**KENDAL AT SONOMA, A ZEN INSPIRED COMMUNITY
DBA: ENSO VILLAGE
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INDEPENDENT AUDITORS' REPORT

Audit and Oversight Committee
Kendal at Sonoma, a Zen Inspired Community
dba: Enso Village
Healdsburg, California

Report on the Audit of the Continuing Care Reserve Report

Opinion

We have audited the accompanying continuing care reserve report (the Report) Kendal at Sonoma, a Zen Inspired Community, dba: Enso Village, which comprises the continuing care liquid reserve schedules Form 5-1 through Form 5-5, as of December 31, 2023, and the related notes to continuing care reserve report for the year then ended.

In our opinion, the Report presents fairly, in all material respects, the liquid reserve requirements of Kendal at Sonoma, a Zen Inspired Community, dba: Enso Village, as of December 31, 2023, in accordance with report preparation provisions 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 *Auditors' Responsibilities for the Audit of the Continuing Care Reserve Report* section of our report. We are required to be independent of Kendal at Sonoma, a Zen Inspired Community, dba: Enso Village, 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 Note 3 to the Report, which describes the basis of accounting. The Report is prepared on the basis of the financial reporting provisions of the 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 comply with the requirements of the California Health and Safety Code section 1792. As a result, the Report may not be suitable for another purpose. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Continuing Care Reserve Report

Management is responsible for the preparation and fair presentation of this Report in accordance with the financial reporting provisions prescribed or permitted by the California Health and Safety Code Section 1792, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Report that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility for the Audit of the Continuing Care Reserve Report

Our objectives are to obtain reasonable assurance about whether the Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the Report.

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 Report, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Report.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kendal at Sonoma, a Zen Inspired Community, dba: Enso Village'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 Report.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kendal at Sonoma, a Zen Inspired Community, dba: Enso Village'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.

Audit and Oversight Committee
Kendal at Sonoma, a Zen Inspired Community
dba: Enso Village

Restriction on Use

This report is intended solely for the use of the Organization and for filing with the California Department of Social Services and is not intended to be and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
May 16, 2024

**KENDAL AT SONOMA, A ZEN INSPIRED COMMUNITY
DBA: ENSO VILLAGE
NOTES TO CONTINUING CARE RESERVE REPORT
YEAR ENDED DECEMBER 31, 2023**

NOTE 1 MISSION STATEMENT

Kendal at Sonoma, a Zen Inspired Community, dba: Enso Village is a Zen-inspired Life Plan Community with a focus on mindful aging, the joys of nature, environmental stewardship, contemplative care and healthy life choices for adults 60+.

NOTE 2 DESCRIPTION OF BUSINESS

Kendal at Sonoma, a Zen Inspired Community, dba: Enso Village (the Organization) was formed November 1, 2016 as a California nonstock corporation for the purpose of establishing, maintaining, operating, and managing a life plan community in Sonoma County, California. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The community is an anchor property as part of a larger master plan community in Healdsburg, the "North Village". The members of the Organization are Zen-Inspired Senior Living, LLC and Kendal Aging.

The sole member of Zen-Inspired Senior Living, LLC (ZISL) is the San Francisco Zen Center (SFZC). The SFZC, established in 1962, is one of the largest residential training Soto Zen Buddhist organizations outside of Asia. It has three practice places which offer daily meditation, regular monastic retreats and practice periods, classes, lectures, and workshops throughout the Bay area.

Kendal Aging (Kendal) is a subsidiary of The Kendal Corporation, which is its sole member. The Kendal Corporation is a Pennsylvania nonprofit corporation that supports a system of affiliated nonprofit housing and services for older adults founded on the principles of the Religious Society of Friends (Quakers). Kendal aspires to "Together transform the experience of aging™."

NOTE 3 CONTINUING CARE RESERVE REPORT BASIS OF PRESENTATION

The California Health and Safety Code section 1792 requires continuing care contract providers to establish and maintain statutory and refund reserves to ensure financial resources will be available to fulfill contractual obligations to residents. The continuing care reserve report (the Report), which calculates reserve requirements, is prepared in accordance with the January 1, 2007 Annual Report Instructions provided by the state of California Department of Social Services. The Report is required to be submitted annually to the California Department of Social Services within four months of year-end.

FORM 5-1: LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR (INCLUDING BALLOON DEBT)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	06/01/2021	\$13,620,000	\$32,158	0	\$13,652,158
2	06/01/2021	\$4,250,000	\$13,576	0	\$4,263,576
3					
4					
5					
6					
7					
8					
TOTAL:			\$45,735		\$17,915,735

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

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

PROVIDER: Kendal at Sonoma: A Zen Inspired Community dba Enso Village

FORM 5-2: LONG-TERM DEBT INCURRED DURING FISCAL YEAR (INCLUDING BALLOON DEBT)

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments Over Next 12 Months	(e) Reserve Requirement (see instruction Part 5) (columns (c) x (d))
1					
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.

PROVIDER: Kendal at Sonoma: A Zen Inspired Community dba Enso Village

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	17,915,735
2	Total from Form 5-2 bottom of Column (e)	0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	0
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	17,915,735

PROVIDER: Kendal at Sonoma: A Zen Inspired Community dba Enso Village

FORM 5-4: CALCULATION OF NET OPERATING EXPENSES

Line	Description	Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$29,122,161.35</u>
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	<u>\$5,417,827</u>	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	<u>0</u>	
c.	Depreciation	<u>\$5,972,717</u>	
d.	Amortization	<u>\$589,583</u>	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>0</u>	
f.	Extraordinary expenses approved by the Department	<u>0</u>	
3	Total Deductions		<u>\$11,980,127</u>
4	Net Operating Expenses		<u>\$17,142,035</u>
5	Divide Line 4 by 365 and enter the result		<u>\$46,964</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount		<u><u>\$3,522,336</u></u>

PROVIDER: Kendal at Sonoma: A Zen Inspired Community dba Enso Village
 COMMUNITY: Kendal at Sonoma: A Zen Inspired Community dba Enso Village

FORM 5-4 SUPPORTING SCHEDULE FOR CALCULATION OF TOTAL OPERATING EXPENSES FOR
A PROVIDER THAT COMMENCED OPERATIONS DURING THE REPORTED FISCAL YEAR

KENDALAT SONOMA: A ZEN INSPIRED COMMUNITY DBA ENSO VILLAGE
OPERATIONS COMMENCED NOVEMBER 2023
2024 OPERATING AND CAPITAL BUDGET (AS SUBMITTED TO THE DEPARTMENT)

	2024 ANNUAL OPERATING BUDGET	
EXPENSES		
IT Department	\$	755,300
Admin Department		1,833,104
Depreciation & Amortization		7,208,108
Interest Expense		6,118,535
Real Estate Taxes		262,936
Property Insurance		1,600,000
Marketing Department		584,484
HR Department		1,917,440
Payroll Expenses		7,022,186
Facilities Department		2,594,256
Culinary Department		1,525,117
Health Department		225,950
Activities & Wellness		86,650
Spiritual		90,396
TOTAL EXPENSES	\$	31,824,462
Less:		
Depreciation & Amortization		7,208,108
Interest Expense		6,118,535
TOTAL EXPENSES	\$	18,497,819
PROJECTED EXPENSES:		
52 week allocation		
TOTAL EXPENSES	\$	31,824,462
Per week		612,009
6 weeks of 2023		969,753
46 weeks in 2024 (forecast)		28,152,409
Total 12 month Expenses	\$	29,122,161
Depreciation & Amortization		
2023 Depreciation & Amortization	\$	1,611,101
Per week		30,983
6 weeks of 2023		185,896
46 weeks in 2024 (forecast)		6,376,403
Total 12 month Expenses		6,562,300
Depreciation	\$	5,972,717
Amortization	\$	589,583
Interest		
2023 Interest per Form 5-1	\$	45,735
Per week		880
6 weeks of 2023		5,277
46 weeks in 2024 (forecast)		5,412,550
Total 12 month Expenses	\$	5,417,827

Total Amount of Qualifying Assests

Listed for Reserve Obligation:	[11] <u>\$79,290,962</u>	[12] <u>\$17,628,716</u>
Reserve Obligation Amount:	[13] <u>\$17,915,735</u>	[14] <u>\$3,522,336</u>
Surplus/(Deficiency):	[15] <u>\$61,375,227</u>	[16] <u>\$14,106,380</u>

Signature:



Date: 05/01/2024

(Authorized Representative)

Controller

(Title)



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