MENNONITE BRETHREN HOMES, INC.
D/B/A PALM VILLAGE RETIREMENT COMMUNITY
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

WIPFLI

TABLE OF CONTENTS

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To the Board of Directors
Mennonite Brethren Homes, Inc
d/b/a Palm Village Retirement Community
Reedley, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of *Mennonite Brethren Homes, Inc. d/b/a Palm Village Retirement Community* (a California nonprofit health care entity), *and Subsidiary* (a California Corporation) (collectively, the Organization) which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of *Mennonite Brethren Homes, Inc. d/b/a Palm Village Retirement Community* and Subsidiary as of December 31, 2020, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Prior Period Financial Statements

The consolidated financial statements of *Mennonite Brethren Homes, Inc. d/b/a Palm Village Retirement Community and Subsidiary* as of December 31, 2019, were audited by Mueller Prost LC, which combined practices with Wipfli LLP as of June 1, 2021, and whose reported dated June 26, 2020, expressed an unmodified opinion on those consolidated financial statements.

Wipfli LLP

Wipfli LLP

July 30, 2021
St. Louis, Missouri

MENNONITE BRETHREN HOMES, INC.
DBA PALM VILLAGE RETIREMENT COMMUNITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS		2020		2019
Current Assets				
Cash and cash equivalents	$	4,388,411	$	4,174,633
Accounts receivable				
Resident, net		1,628,535		1,124,489
Consulting, net		74,902		81,562
Other		18,603		7,310
Prepaid expenses		243,648		256,953
Supplies inventory		29,166		20,808
Current portion of assets limited as to use		948,316		819,767
Total Current Assets		7,331,581		6,485,522
Assets Limited as to Use				
Under indenture agreement, held for debt service		231,683		260,873
Emergency funds		922,700		800,479
Chapel fund - resident use		3,704		1,111
Resident funds		21,912		18,177
Total Assets Limited as to Use		1,179,999		1,080,640
Less: current portion shown above		(948,316)		(819,767)
Assets Limited as to Use (Net of Current Portion)		231,683		260,873
Fixed Assets				
Land		998,567		998,567
Buildings and improvements		22,502,290		22,065,509
Furniture and equipment		4,408,211		4,240,653
Vehicles		271,263		229,164
Construction in progress		159,978		143,949
Total Fixed Assets		28,340,309		27,677,842
Accumulated depreciation		(17,629,581)		(16,820,774)
Net Fixed Assets		10,710,728		10,857,068
Other Assets				
Deferred letter of credit renewal fees		21,147		27,927
Total Other Assets		21,147		27,927
Total Assets	**$**	**18,295,139**	**$**	**17,631,390**

The notes are an integral part of these consolidated financial statements.

MENNONITE BRETHREN HOMES, INC.
DBA PALM VILLAGE RETIREMENT COMMUNITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2020 AND 2019

LIABILITIES AND NET ASSETS	2020	2019
Current Liabilities		
Accounts payable	$ 251,711	$ 590,926
Accrued salaries, payroll taxes and benefits	708,106	891,167
Accommodation fee deposits	158,450	23,200
Current portion of refundable accommodation fees	145,089	50,000
Deferred revenue from consulting services	-	97,277
Current maturities of bonds payable	630,000	605,000
Capital lease	-	736
Income tax liability	-	1,039
Health and Human Services Provider Relief Fund refundable advance	236,533	-
Paycheck Protection Program loan	1,291,569	-
Other current liabilities	289,057	421,389
Total Current Liabilities	3,710,515	2,680,734
Long-Term Debt		
Bonds payable, less current portion and deferred financing costs	3,357,312	3,950,069
Other Liabilities		
Deferred revenue from cottage commons	-	197,617
Paycheck Protection Program loan, net of current portion	343,298	-
Refundable accommodation fees	2,410,972	2,378,815
Deferred revenue from accommodation fees	2,426,461	2,413,997
Total Other Liabilities	5,180,731	4,990,429
Total Liabilities	12,248,558	11,621,232
Net Assets		
Without donor restrictions	6,016,581	5,975,707
With donor restrictions	30,000	34,451
Total Net Assets	6,046,581	6,010,158
Total Liabilities and Net Assets	**$ 18,295,139**	**$ 17,631,390**

The notes are an integral part of these consolidated financial statements.

MENNONITE BRETHREN HOMES, INC.
DBA PALM VILLAGE RETIREMENT COMMUNITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Residential services	$ 13,872,042	$ -	$ 13,872,042
Accommodation fees	899,250	-	899,250
Consulting	366,856	-	366,856
Other	134,328	-	134,328
Total Revenue	15,272,476	-	15,272,476
Net Assets Released from Restrictions	4,451	(4,451)	-
Total Revenue Without Donor Restrictions	15,276,927	(4,451)	15,272,476
Operating Expenses			
Palm Village Retirement Community			
Program services	13,495,783	-	13,495,783
Support services			
Management and general	1,901,646	-	1,901,646
Fundraising	37,849	-	37,849
	15,435,278	-	15,435,278
Peer Services, Inc.			
Bad debt recoveries, net	(2,367)	-	(2,367)
Dues and subscriptions	5,385	-	5,385
Insurance	89,253	-	89,253
Marketing	17,975	-	17,975
Miscellaneous	4,964	-	4,964
Postage	756	-	756
Printing and publications	2,576	-	2,576
Professional fees	192,508	-	192,508
Salaries and wages	470,033	-	470,033
Supplies	7,984	-	7,984
Telephone	528	-	528
	789,595	-	789,595
Total Operating Expenses	16,224,873	-	16,224,873
Change in Net Assets from Operations	(947,946)	(4,451)	(952,397)
Other Income (Expense)			
Health and Human Services Provider Relief Fund	643,911	-	643,911
Investment income, net	23,142	-	23,142
Fundraising costs	(13,420)	-	(13,420)
Contributions	341,405	-	341,405
Other expense, net	(6,218)	-	(6,218)
Total Other Income	988,820	-	988,820
Changes in Net Assets	40,874	(4,451)	36,423
Net Assets, Beginning of Year	5,975,707	34,451	6,010,158
Net Assets, End of Year	**$ 6,016,581**	**$ 30,000**	**$ 6,046,581**

MENNONITE BRETHREN HOMES, INC.
DBA PALM VILLAGE RETIREMENT COMMUNITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Residential services	$ 14,321,117	$ -	$ 14,321,117
Accommodation fees	1,010,458	-	1,010,458
Consulting	201,753	-	201,753
Other	221,126	-	221,126
Total Revenue	15,754,454	-	15,754,454
Net Assets Released from Restrictions	-	-	-
Total Revenue Without Donor Restrictions	15,754,454	-	15,754,454
Operating Expenses			
Palm Village Retirement Community			
Program services	13,206,668	-	13,206,668
Support services			
Management and general	1,865,786	-	1,865,786
Fundraising	40,555	-	40,555
	15,113,009	-	15,113,009
Peer Services, Inc.			
Bad debt expense	56,000	-	56,000
Dues and subscriptions	2,598	-	2,598
Education	9,814	-	9,814
Insurance	101,529	-	101,529
Licenses and taxes	25	-	25
Marketing	35,140	-	35,140
Miscellaneous	7,791	-	7,791
Postage	1,520	-	1,520
Printing and publications	1,754	-	1,754
Professional fees	148,522	-	148,522
Salaries and wages	270,642	-	270,642
Supplies	8,066	-	8,066
Telephone	482	-	482
	643,883	-	643,883
Total Operating Expenses	15,756,892	-	15,756,892
Change in Net Assets from Operations	(2,438)	-	(2,438)
Other Income (Expense)			
Investment income, net	24,234	-	24,234
Fundraising costs	(13,165)	-	(13,165)
Contributions	158,897	33,351	192,248
Other income, net	6,912	-	6,912
Total Other Income	176,878	33,351	210,229
Changes in Net Assets	174,440	33,351	207,791
Net Assets, Beginning of Year	5,801,267	1,100	5,802,367
Net Assets, End of Year	**$ 5,975,707**	**$ 34,451**	**$ 6,010,158**

MENNONITE BRETHREN HOMES, INC.
DBA PALM VILLAGE RETIREMENT COMMUNITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

		Support Services			
	Program Services	Management and General	Fundraising	Peer Services, Inc.	Total
Accounting	$ -	$ 124,332	$ -	$ -	$ 124,332
Advertising	58,737	-	25,173	-	83,910
Bad debt expense (recoveries)	-	73,323	-	(2,367)	70,956
Contribution	41,281	-	-	-	41,281
Covid-19 related expenses	299,261	-	-	-	299,261
Creative	22,624	3,381	-	-	26,005
Depreciation and amortization	808,363	41,561	-	-	849,924
Dues and subscriptions	54,961	-	-	5,385	60,346
Education	33,344	-	-	-	33,344
Food	828,490	-	-	-	828,490
Insurance	200,389	10,303	-	89,253	299,945
Interest	77,648	3,992	-	-	81,640
Legal	29,436	51,033	-	-	80,469
Licenses and taxes	103,317	-	-	-	103,317
Marketing	-	-	-	17,975	17,975
Minor equipment	21,140	-	-	-	21,140
Miscellaneous	(1,306)	-	-	4,964	3,658
Occupancy and utilities	656,526	33,755	-	-	690,281
Other benefits	1,679,061	250,894	-	-	1,929,955
Payroll taxes	529,211	79,077	-	-	608,288
Postage	15,470	-	6,630	756	22,856
Printing and publication	14,107	-	6,046	2,576	22,729
Professional services	865,855	129,381	-	192,508	1,187,744
Repairs and maintenance	135,610	6,972	-	-	142,582
Salaries and wages	6,163,373	975,853	-	470,033	7,609,259
Security	69,428	-	-	-	69,428
Supplies	740,728	110,684	-	7,984	859,396
Telephone	19,459	2,908	-	528	22,895
Transportation	1,181	-	-	-	1,181
Travel	28,089	4,197	-	-	32,286
Total Expenses	**$ 13,495,783**	**$ 1,901,646**	**$ 37,849**	**$ 789,595**	**$ 16,224,873**

MENNONITE BRETHREN HOMES, INC.
DBA PALM VILLAGE RETIREMENT COMMUNITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

		Support Services			
	Program Services	Management and General	Fundraising	Peer Services, Inc.	Total
Accounting	$ -	$ 67,205	$ -	$ -	$ 67,205
Advertising	70,106	-	30,045	-	100,151
Bad debt expense	-	91,705	-	56,000	147,705
Contribution	29,333	-	-	-	29,333
Creative	41,476	6,198	-	-	47,674
Depreciation and amortization	763,386	39,249	-	-	802,635
Dues and subscriptions	39,600	-	-	2,598	42,198
Education	44,614	-	-	9,814	54,428
Fines and penalties	43,775	-	-	-	43,775
Food	809,891	-	-	-	809,891
Insurance	287,009	14,756	-	101,529	403,294
Interest	126,747	6,517	-	-	133,264
Legal	25,321	55,278	-	-	80,599
Licenses and taxes	92,174	-	-	25	92,199
Marketing	-	-	-	35,140	35,140
Minor equipment	20,040	-	-	-	20,040
Miscellaneous	15,509	-	-	7,791	23,300
Occupancy and utilities	659,775	33,922	-	-	693,697
Other benefits	1,586,480	237,060	-	-	1,823,540
Payroll taxes	509,606	76,148	-	-	585,754
Postage	9,274	-	3,974	1,520	14,768
Printing and publication	15,249	-	6,536	1,754	23,539
Professional services	1,180,374	176,378	-	148,522	1,505,274
Repairs and maintenance	126,573	6,508	-	-	133,081
Salaries and wages	5,868,509	933,861	-	270,642	7,073,012
Security	65,051	-	-	-	65,051
Strategic research	-	5,003	-	-	5,003
Supplies	701,161	104,771	-	8,066	813,998
Telephone	18,805	2,810	-	482	22,097
Transportation	502	-	-	-	502
Travel	56,328	8,417	-	-	64,745
Total Expenses	**$ 13,206,668**	**$ 1,865,786**	**$ 40,555**	**$ 643,883**	**$ 15,756,892**

MENNONITE BRETHREN HOMES, INC.
DBA PALM VILLAGE RETIREMENT COMMUNITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Cash received from residents	$ 14,521,687	$ 15,716,364
Cash received from consulting services	373,616	213,927
Cash paid to suppliers and employees	(16,013,278)	(14,225,238)
Income tax paid	(2,177)	(1,631)
Interest received	23,142	24,234
Contributions received	341,405	192,248
Interest paid	(29,832)	(83,913)
Net Cash (Used in) Provided by Operating Activities	(785,437)	1,835,991
Cash Flows from Investing Activities		
Payments for property, equipment, and construction in progress	(659,561)	(490,953)
Purchases of assets whose use is limited	(122,221)	(147,782)
Net Cash Used in Investing Activities	(781,782)	(638,735)
Cash Flows from Financing Activities		
Refund of accommodation fees	(151,440)	(172,099)
Principal payment on long-term debt	(605,736)	(585,000)
Proceeds from Health and Human Services Provider Relief Fund	880,444	-
Proceeds from Paycheck Protection Program	1,634,867	-
Net Cash Provided by (Used in) Financing Activities	1,758,135	(757,099)
Net Increase in Cash and Restricted Cash and Cash Equivalents	190,916	440,157
Cash and Restricted Cash and Cash Equivalents, Beginning of Year	4,454,794	4,014,637
Cash and Restricted Cash and Cash Equivalents, End of Year	**$ 4,645,710**	**$ 4,454,794**

MENNONITE BRETHREN HOMES, INC.
DBA PALM VILLAGE RETIREMENT COMMUNITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Reconciliation of Changes in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Change in Net Assets	$ 36,423	$ 207,791
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	849,924	796,569
Change in allowance for doubtful accounts	(45,290)	53,328
Provision for bad debts	116,246	82,504
Health and Human Services Provider Relief Fund	(643,911)	-
Amortization of accommodation fees	(899,250)	(1,010,458)
(Increase) decrease in current assets		
Account receivable	(579,635)	(127,990)
Prepaid expenses	13,305	(24,256)
Supplies inventory	(8,358)	(52)
Increase (decrease) in liabilities		
Accounts payable	(339,215)	359,778
Accrued salaries, payroll taxes and benefits	(183,061)	78,797
Accommodation fee deposits	135,250	9,000
Deferred revenue from consulting services	(97,277)	97,277
Income tax liability	(1,039)	-
Other current liabilities	(132,332)	149,822
Deferred revenue from cottage commons	(197,617)	155,081
Refundable accommodation fees	-	(219,200)
Deferred revenue from accommodation fees	1,190,400	1,228,000
Total Adjustments	(821,860)	1,628,200
Net Cash (Used in) Provided By Operating Activities	**$ (785,437)**	**$ 1,835,991**

The notes are an integral part of these consolidated financial statements.

NOTE 1 ORGANIZATION

Organization

Mennonite Brethren Homes, Inc. d/b/a Palm Village Retirement Community (Palm Village) is a not-for-profit corporation located in Reedley, California licensed as a Continuing Care Retirement Community. Palm Village consists of 120 nursing beds, 53 residential/personal care facility units, 16 memory care units and 79 independent living complex units. The mission of Palm Village is to provide post-acute care and residential services to the elderly community.

In June 2014, *Peer Services, Inc.* (Peer Services) was formed. Peer Services is a California corporation organized to provide consultation services to other retirement living service providers. Palm Village owns 100% of the outstanding stock of Peer Services and, accordingly, the activity of Peer Services has been consolidated in these financial statements.

Collectively the consolidated entity (Palm Village and Peer Services) is referred to as the Organization.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Consolidated Financial Statement Presentation of Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, the following:

	2020	2019
Emergency Funds	$ 922,700	$ 800,479
Chapel Fund – Resident Use	3,704	1,111
Total Board Restricted Net Assets	**$ 926,404**	**$ 801,590**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated Financial Statement Presentation of Net Assets (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no perpetually restricted net assets at December 31, 2020 and 2019.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received and recorded as pledges receivable. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets are released and reported as an increase in net assets without donor restrictions. Donor-restricted contributions whose restrictions are met within the same reporting period as received are recorded as contributions without donor restrictions.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Organization maintains its cash demand deposit accounts at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At various times during the years ended December 31, 2020 and 2019, the Organization’s cash balances may have exceeded the federally insured limit.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments and certificates of deposit with an original maturity of three months or less to be cash equivalents.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Resident accounts receivable represents amounts due from residents and third-party payers such as Medi-Cal and Medicare for services provided. Medi-Cal and Medicare represent the Organization's most significant third-party payers. Consulting accounts receivable represents amounts due from consulting clients. The Organization provides an allowance for doubtful accounts based on historical collection trends and management judgment. No collateral is required for services rendered. Payment for services is due upon receipt of invoice. Accounts are individually analyzed on a monthly basis for collectability.

Once accounts are deemed uncollectible, the amounts are written off to bad debt expense. Recoveries of receivables previously written off are recognized as income in the period received. The allowance for doubtful accounts was $47,353 and $92,643 as of December 31, 2020 and 2019, respectively.

Prepaid Expenses

Payments made to vendors that will benefit periods beyond the reporting year are recorded as prepaid expenses. Prepaid expenses consist primarily of a deposit to the Organization's pooled workers' compensation insurance policy. Interest is earned on the deposit until reimbursed by the policy.

Supplies Inventory

Supplies inventory is stated at the lower of cost or market value. Cost is determined using the first-in, first-out (FIFO) method.

Property and Equipment

The Organization capitalizes expenditures in excess of $1,000 for property and equipment at cost. Property and equipment are depreciated over their estimated useful lives using the straight-line method of depreciation. The estimated useful lives are as follows:

Buildings and improvements	5-50 years
Furniture and equipment	5-10 years
Vehicles	5 years

Depreciation expense for the years ended December 31, 2020 and 2019 was $808,808 and $761,470, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Assets

The Organization evaluates the recoverability of its long-lived assets, which consist primarily of property and equipment with finite useful lives, whenever events or changes in circumstances indicate that the carrying value may not be recoverable by comparing the carrying value of the long-lived assets to the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less than the carrying value, the Organization would recognize an impairment loss at the time. No impairment loss was recognized in 2020 and 2019.

Assets Limited as to Use

Assets limited as to use include assets held by the trustee under the bond agreements, resident funds, and board designated amounts. These assets are primarily invested in cash and cash equivalents. Investment income or loss (including realized gains and losses on investments and interest and dividend income), shown net of investment fees, is included in other income (expense) on the consolidated statements of activities.

Resident Funds

The Organization maintains savings accounts on behalf of certain residents and acts as trustee of these funds which are maintained for the personal use of those residents. The funds are expended at the direction of the residents. The balance in the resident funds was $21,912 and $18,177 at December 31, 2020 and 2019, respectively.

Letter of Credit Fees

The Organization pays letter of credit fees on an annual basis relating to the issuance of the Series 2005 Certificates of Participation. For the years ended December 31, 2020 and 2019, the Organization paid letter of credit fees of $34,230 and $47,873, respectively.

Accommodation Fees

Accommodation fees are charged to residents of the independent living facility. The accommodation fees are lump sum payments made to the Organization, which entitles the resident to reside in the facility and participate in certain benefits of the facility. The Organization recognizes as a liability, the portion of the accommodation fee that is refundable according to the terms of the accommodation fee contract with the balance recorded as deferred revenue. The Organization offers accommodation fee contracts with a 72-month schedule for refunds after which time the entire accommodation fee is non-refundable. There were 10 and 14 contracts on a 72 month schedule for the years ended December 31, 2020 and 2019, respectively.

Beginning in 2009, the Organization also began offering reduced entrance fees for a limited amount of independent living units. These contracts amortize over 50 months. There were 58 and 59 contracts on a 50 month schedule for the years ended December 31, 2020 and 2019, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accommodation Fees (continued)

Accommodation fees are amortized into income by the straight-line method over the estimated life expectancy of the resident. After establishing residency, the resident may cancel the agreement at any time upon giving 90 days written notice of cancellation. If the resident cancels the agreement for reasons other than death, incapacity, or divorce, the resident is entitled to a refund of a portion of the amount paid in accordance with the agreement and with California law, which provides that the Organization may deduct a reasonable processing fee to cover costs and the reasonable value of the services rendered during the resident's occupancy.

The Organization will refund a portion of the accommodation fee in accordance with the following terms:

I. If cancellation occurs during the first 90 days of occupancy, the Organization shall retain a reasonable processing fee to cover cost and the reasonable value of the services rendered plus an additional 2% of the entrance fee for each month (or portion thereof) of occupancy.

II. The Organization shall retain any portion of the entrance fee necessary to pay any unpaid indebtedness to the Organization incurred by the resident, including any unpaid monthly service fees and any unpaid expenses incurred by the resident for health or other services.

The Organization manages a section of housing adjacent to the facility called Cottage Commons. During 2008, a resident purchased a home in the Cottage Commons and signed a contract that entitles Palm Village to title of the home. The contract is designed so that 80% of the agreed upon market value at the time of transfer is refundable when the last resident leaves the home. If the resident leaves the home and enters a unit in assisted living or the health center, the 80% value of the home is used to cover their health care cost for the duration of their stay. When the resident leaves Palm Village, 80% of the home's originally determined market value, less any healthcare cost incurred during their stay at Palm Village, will be refunded to the resident's estate.

Obligation to Provide Future Services

The Organization provides services and use of facilities under fee-for-service continuing care contracts. Such contracts allow for the increase in periodic fees to cover costs of services and use of facilities without restriction. Therefore, a liability for future services has not been estimated.

Accommodation Fee Deposits

Guaranty deposits of $1,000 are required for each resident entering the independent or assisted living facilities within Palm Village. In addition, some residents prepay part of their accommodation fee before moving in. Management accounts for these prepayments within the accommodation fee deposit account. The deposits are subtracted from the amount of accommodation fees due at the time the resident moves in. Total deposits as of December 31, 2020 and 2019 were $158,450 and $23,200, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs

Deferred financing costs related to the issuance of long-term debt are amortized over the life of the related debt using the straight-line method. The deferred financing costs are presented in the consolidated statements of financial position as a direct deduction from the carrying amount of the debt liability and the amortization of deferred financing costs is reported as interest expense.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was, $101,885 and $135,290, for the years ended December 31, 2020 and 2019, respectively.

Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, assets limited as to use, accounts payable and accrued expenses, other current liabilities, capital leases payable, and current notes payable approximate fair value due to the short maturity of these financial instruments. The fair value of bonds payable with variable interest rates are based on quoted market prices for the same or similar issues. The carrying amount reported in the consolidated statements of financial position approximates fair value.

Functional Allocation of Expenses

The nature of operations of Palm Village will continue to own and operate a nursing home and services for skilled nursing, assisted living, independent living and memory care as one program for the consolidated statements of functional expenses. Peer Services is a for profit subsidiary of Palm Village that provides consulting services.

The costs of providing program and supporting services for Palm Village and Peer Services have been summarized on a functional basis. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. The consolidated financial statements report certain categories of expenses that are attributed to more than one category or function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

The expenses that are allocated include:

- Salaries and wages, employee benefits and related expenses, payroll taxes are allocated on the basis of time and effort;
- Office supplies, telephone, travel, creative, and professional services are allocated based upon benefit received; and
- Occupancy/utilities, interest expense, repairs and maintenance, insurance, depreciation and amortization expense are allocated on a square footage basis.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Income

Investment income and expenses are netted on the consolidated statements of activities, which include interest income, dividend income, unrealized and realized gain or loss less any investment expense.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to Palm Village's program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP. Contributed goods are recorded at fair value at the date of donation. Palm Village records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended December 31, 2020 and 2019.

Operating Revenue

Resident services revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing resident services. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the residents and third-party payors several days after the services are performed or the resident no longer needs care. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time are related to residents in the Organization's facilities receiving in-resident post-acute care services or residents receiving services in their homes (home care, patio home). The Organization measures the performance obligation from admission into the assisted living unit, or the commencement of the assisted living service, to the point when it is no longer required to provide services to that resident, which is generally at the time that the resident elects to move from the facility or passes away. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our residents in a retail setting (for example, personal care services and additional meals not covered in the resident contract) and the Organization does not believe it is required to provide additional goods or services related to that sale.

Peer Services' contracts with customers all have performance obligations with durations of less than one year, therefore, for these contracts the Organization has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14a and therefore is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenue (continued)

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured residents in accordance with the Organization’s policy (charity care), and implicit price concessions provided to uninsured residents. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of residents.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare: Certain in-resident post-acute care services are paid at prospectively determined rates per service based on clinical, diagnostic, and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Our licensed nursing facility which participated in the Medicare program for the years ended December 31, 2020 and 2019 was reimbursed based on the Patient Driven Payment Model (PDPM). This program is administered by the United States Department of Health and Human Services. The PDPM is a per diem price-based system. Annual cost reports are submitted to the designated intermediary; however, they will not contain a cost settlement.

Medi-Cal: Reimbursements for Medi-Cal services are generally paid at prospectively determined rates per type of service, per occasion of service, or per covered member. The Medi-Cal program is administered by the California Department of Health and Human Services Agency, Department of Health Services. The Department of Health Services determines Medi-Cal rates for the facility every August 1. The rates are determined by re-basing all filed cost reports every three years.

The final rates are set from facility cost reports with minimum and maximum reimbursements calculated from peer facilities. Medi-Cal pays a flat daily rate which does not account for the acuity of the resident. The Organization must submit a cost report for each year based on its fiscal year. Rates derived from the above system are subject to retroactive adjustment by field audit.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per service, discounts from established charges, and prospectively determined daily rates.

Peer Services provides consulting services to other senior health care facilities, providing staffing, training, accounting, assistance and advisory services over the duration of contracts lasting less than one year. Consulting revenue is earned by Peer Services as fee for service revenue.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenue (continued)

Laws and regulations concerning government programs, including Medicare and Medi-Cal, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received request for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization’s compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims, or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing resident services. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization’s historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant for the years ended December 31, 2020 and 2019.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured residents, and offers those uninsured residents a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for residents with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. For the years ended, December 31, 2020 and 2019, a reduction of revenue of $3,079,370 and $2,576,621, respectively, was recognized due to changes in its estimated implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the resident’s ability to pay are recorded as bad debt expense.

Consistent with the Organization’s mission, care is provided to residents regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured residents and residents with other uninsured balances, for example, copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to residents and the amounts the Organization expects to collect based on its collection history with those residents.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenue (continued)

Residents who meet the Organization’s criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue. Costs for these programs in excess of reimbursement were estimated to be approximately $389,530 and $323,545 for the years ended December 31, 2020 and 2019, respectively.

The composition of residential services revenue by primary payors for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Medi-Cal	$ 6,567,070	$ 5,607,583
Medicare	1,083,879	2,226,659
Managed care	434,294	364,582
Commercial insurers	2,082,041	2,407,851
Private – Independent living	826,668	840,325
Private – Assisted living	2,803,897	2,747,388
Other	74,193	126,729
Total	**$ 13,872,042**	**$ 14,321,117**

Revenue from resident’s deductibles and coinsurance are included in the preceding categories based on the primary payor.

The composition of total disaggregated operating revenue based on the service lines the Organization provides, its lines of business and timing of revenue recognition for the years ended December 31, 2020 and 2019 are as follows:

	2020				
	Independent Living	Assisted Living	Skilled Nursing	Other	Total
Services Area					
Medical Services	$ -	$ -	$ 10,162,924	$ -	$ 10,162,924
Non-Medical Services	1,773,854	2,834,122	-	346	4,608,322
Long-term Care Facility Consulting	-	-	-	366,856	366,856
Other	927	559	-	132,888	134,374
	$ 1,774,781	**$ 2,834,681**	**$ 10,162,924**	**$ 500,090**	**$ 15,272,476**
Timing of Revenue and Recognition					
Resident and Other Services Transferred Over Time	$ 1,739,354	$ 2,812,997	$ 10,162,924	$ 366,856	$ 15,082,131
Various Other Revenue Earned at Point in Time	35,427	21,684	-	133,234	190,345
	$ 1,774,781	**$ 2,834,681**	**$ 10,162,924**	**$ 500,090**	**$ 15,272,476**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenue (continued)

	2019				
	Independent Living	Assisted Living	Skilled Nursing	Other	Total
Services Area					
Medical Services	$ -	$ -	$ 10,613,355	$ -	$ 10,613,355
Non-Medical Services	1,925,590	2,789,794	-	304	4,715,688
Long-term Care Facility Consulting	-	-	-	201,753	201,753
Other	4,553	2,578	-	216,527	223,658
	$ 1,930,143	**$ 2,792,372**	**$ 10,613,355**	**$ 418,584**	**$ 15,754,454**
Timing of Revenue and Recognition					
Resident and Other Services Transferred Over Time	$ 1,874,162	$ 2,760,623	$ 10,613,355	$ 201,753	$ 15,449,893
Various Other Revenue Earned at Point in Time	55,981	31,749	-	216,831	304,561
	$ 1,930,143	**$ 2,792,372**	**$ 10,613,355**	**$ 418,584**	**$ 15,754,454**

The Organization charges an entrance fee upon executing a life care contract with a new resident. The entrance fee varies based on the size of the initial patio independent living home that the resident will be occupying. The entrance fee is refundable and becomes progressively non-refundable at the rate of 2% or 1.38% per month, depending on whether a fifty-month or seventy-two-month contract was signed, respectively, and becomes fully non-refundable upon the end of the respective contract's refundable period. The entrance fee is recorded as deferred revenue upon receipt and is amortized over the life expectancy of the resident into entrance fee revenue.

The Organization has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

Occupancy Percentages

For the years ended December 31, 2020 and 2019, the occupancy percentages of the Organization were as follows:

	2020	2019
Health center (including Wiebe Center)	93.6%	94.7%
Assisted living (including memory care)	77.5%	84.9%
Independent living apartments	92.4%	95.8%

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Occupancy Percentages (continued)

The total census for the Health Center by source of payment at December 31, 2020 and 2019, is as follows:

	2020		2019	
	Days	Percentage	Days	Percentage
Medicare and HMO	1,918	4.8%	4,251	10.3%
Medi-Cal	31,685	78.7%	29,380	70.8%
Private and other	6,651	16.5%	7,833	18.9%
Total	**40,254**	**100.0%**	**41,464**	**100.0%**

Accounting Pronouncements Adopted

The FASB ASC is the sole source of authoritative non-governmental U.S. GAAP.

The Organization has adopted ASU 2018-13, *Disclosure Framework – Changes to the Disclosure Requirement for Fair Value Measurements*. This ASU modifies the disclosure requirements on fair value measurements based on the concepts in the Concepts Statement, including the consideration of costs and benefits. The fair value measurements disclosures required no modifications in accordance with this standard.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*, which amends the classification and presentation of changes in restricted cash on the consolidated statement of cash flows. This guidance is effective for fiscal years beginning after December 15, 2018, and early adoption is permitted. The Organization has evaluated the impact of adopting ASU 2016-18 and has modified the consolidated statements of cash flows retrospectively for the years ended December 31, 2020 and 2019, in accordance with its guidelines.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the consolidated statement of activities will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the calendar year-ending December 31, 2023. Management is currently evaluating the impact of adopting ASU 2016-13 on the Organization's consolidated financial statements and related disclosures.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Services*. This ASU requires contributed nonfinancial assets to be presented on a separate line in the consolidated statements of activities, apart from contributions of cash and other financial assets. It also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets. This standard will be effective for annual periods beginning after June 15, 2021. Management is currently evaluating the impact of adoption of this ASU on the consolidated financial statements and the related disclosures.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, as well as reductions for donor restrictions and Board designations, within one year of the Consolidated Statements of Financial Position as of December 31, 2020 and 2019, comprise the following.

	2020	2019
Cash	$ 4,388,411	$ 4,174,633
Accounts Receivable Resident, Net of Allowance	1,628,535	1,124,489
Accounts Receivable Consulting, Net of Allowance	74,902	81,562
Accounts Receivable Other	18,603	7,310
Residents Funds	21,912	18,177
Debt Service Funds	231,683	260,873
Board Designated Emergency Fund	922,700	800,479
Chapel Fund – Resident Designated Funds	3,704	1,111
Total Financial Assets	**7,290,450**	**6,468,634**
Less: Resident Funds	(21,912)	(18,177)
Less: Chapel Fund	(3,704)	(1,111)
Less: Debt Service Funds	(231,683)	(260,873)
Less: General Renovations and Equipment For Independent and Assisted Living Units And Skilled Nursing Facility	(498,000)	(613,000)
Less: Board Designated Emergency Fund	(922,700)	(800,479)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	**$ 5,612,451**	**$ 4,774,994**

The Organization, as part of its liquidity plan, puts its excess cash into the money market account and utilizes a bank sweep program that automatically transfers amounts that exceed, or fall short of, a certain level into a higher interest-earning investment option at the close of each business day. Under the higher interest-earning bank sweep program, the Organization is required to maintain a $50,000 compensating balance with the bank. The Organization's operating revenue covers its ongoing, operating expenditures and it is expected to be available to meet cash needs. In addition, the Organization has a line-of-credit of $500,000 with Bank of the Sierra that is available, if needed, as discussed in Note 6. The Organization also holds an irrevocable letter of credit with the bond trustee and irrevocable standby letter of credit with the Federal Home Loan Bank of San Francisco in the amount of $12,085,000 (face amount of the bonds) as discussed in Note 7.

NOTE 4 ASSETS LIMITED AS TO USE

The composition of assets limited as to use at December 31, 2020 and 2019, is as follows:

	2020	2019
Debt Service Funds	$ 231,683	$ 260,873
Emergency Fund - Board Designated	922,700	800,479
Chapel Fund – Board Designated	3,704	1,111
Resident Funds	21,912	18,177
Total	**$ 1,179,999**	**$ 1,080,640**

NOTE 4 ASSETS LIMITED AS TO USE (CONTINUED)

Assets limited as to use that are required for obligations classified as current liabilities and other required uses within one year are reported as current assets.

NOTE 5 FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs according to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level I – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level II – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level II input must be observable for substantially the full term of the asset or liability.

Level III – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Commingled investment funds: The fair values of the Organization's investments have been estimated using the net asset value per share (NAV) as reported by the administrator of the fund. Accounting standards provide for the use of NAV as a practical expedient for estimating fair value. The NAV is based on the fair value of the underlying assets owned by the fund, less liabilities, and then divided by the number of units outstanding.

Short-term investments: Short-term investments consists of certificate of deposits and interest-bearing cash accounts that matures within one year and the amount reflected on the consolidated statements of financial position approximate fair values. Interest income is included in investment income, net on the consolidated statements of activities.

NOTE 5 FAIR VALUE MEASUREMENT (CONTINUED)

Investment income is comprised of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Investment income	$ 28,351	$ 24,234
Investment expense	(5,209)	-
Investment Income, Net	**$ 23,142**	**$ 24,234**

Fair values of investments measured on a recurring basis consist of the following at December 31, 2020:

	Level I	Level II	Level III	Total
Short-term investments	$3,810,994	$ -	$ -	$ 3,810,994

Fair values of investments measured on a recurring basis consist of the following at December 31, 2019:

	Level I	Level II	Level III	Total
Short-term investments	$3,934,508	$ -	$ -	$ 3,934,508

Investments Measured Using the Net Asset Value per Share Practical Expedient

Based on the terms and conditions in effect at December 31, 2020, the Organization's investments valued at NAV are as follows:

Investment Type	Fair Value	Investment Strategy	Unfunded Commitment	Redemption Terms
Internally Board Designated				
BVI Growth Fund	$922,700	See (a) below	N/A	Can redeem with 3 – 5 business days notification

Investments Measured Using the Net Asset Value per Share Practical Expedient (continued)

(a) Outperform the return of the benchmark, which will be a weighing of the following indexes that match the target asset allocation of the fund:

30%	Bloomberg Barclays U.S. Government/Credit Bond Index
49%	Russell 3000 Index
21%	MSCI All Country World ex Index (Net)

NOTE 5 FAIR VALUE MEASUREMENT (CONTINUED)

Based on the terms and conditions in effect at December 31, 2019, the Organization's investments valued at NAV are as follows:

Investment Type	Fair Value	Investment Strategy	Unfunded Commitment	Redemption Terms
Internally Board Designated				
BVI Growth Fund	$800,479	See (a) below	N/A	Can redeem with 3 – 5 business days notification

(a) Outperform the return of the benchmark, which will be a weighing of the following indexes that match the target asset allocation of the fund:

30%	Bloomberg Barclays U.S. Government/Credit Bond Index
70%	MSCI All Country World ex Index (Net)

NOTE 6 LINE OF CREDIT

The Organization has a $500,000 line-of-credit agreement dated February 4, 2016, with Bank of the Sierra. Principal borrowings under the line-of-credit are payable February 4, 2023. Interest is payable monthly at the Bank's Prime rate, plus 0.875%, with a minimum rate of 4.25%. The effective interest rate at December 31, 2020, was 4.25%. The line-of-credit is secured by all assets of the Organization. At December 31, 2020 and 2019, the Organization had no borrowings under this agreement.

NOTE 7 LONG-TERM DEBT

The Organization's long-term debt at December 31, 2020 and 2019, is summarized below:

	2020	2019
Certificates of Participation, Series 2005, payable in annual principal payments ranging from $630,000 to $770,000 bearing a variable interest rate, with final payment due on August 1, 2026. At December 31, 2020 and 2019, the interest rate was 0.2% and 1.66%, respectively.	$ 4,190,000	$ 4,795,000
Less: Current Maturities	(630,000)	(605,000)
Less: Deferred Financing Costs, Net	(202,688)	(239,931)
Total Long-Term Debt	**$ 3,357,312**	**$ 3,950,069**

NOTE 7 LONG-TERM DEBT (CONTINUED)

The scheduled maturities of the long-term debt are as follows:

Year Ending December 31,	Amount
2021	630,000
2022	655,000
2023	685,000
2024	710,000
2025	740,000
Thereafter	770,000
Total	**$ 4,190,000**

Certificates of Participation

In August 2005, Palm Village issued $12,085,000 in Certificates of Participation, Series 2005 (the 2005 Certificates) through the city of Reedley, California. The 2005 Certificates were issued to refinance the Certificates of Participation, Series 1996, to pay costs of issuance, to payoff personal notes and to provide funding for capital expenditures. In connection with the issuance of the 2005 Certificates, the Organization has granted legal title of the facilities to the city of Reedley, California, and has pledged and granted a security interest in its gross revenue.

Under the terms of the bond issue, the Organization leases the property from the city. The lease agreement between the Organization and the city requires the Organization to make the lease payments to a bond trustee who is responsible to maintain specific principal, interest and bond reserve accounts. The actual principal and interest payments are made to the bondholders by the bond trustee from the principal and interest accounts. Upon retirement of the bonds, the Organization has the option to purchase the leased property for a nominal amount. Accordingly, the leased property and bond indebtedness has been included in the consolidated statements of financial position. The bonds are secured by substantially all of the Organization’s assets.

The Organization holds an irrevocable letter of credit with the bond trustee and an irrevocable standby letter of credit with the Federal Home Loan Bank of San Francisco for the face amount of the bonds. The standby letter of credit has been extended to August 2023. In the unlikely event of a default, the letter of credit will be drawn upon to pay the bond trustee.

The Organization has a liability to the bond trustee immediately upon a draw on the letter of credit. Any draws on the letter of credit are subject to repayment the earliest of 36 months after the date of the draw or the termination date of the letter of credit.

Restrictive Covenants

The provisions of the 2005 Certificates contain various restrictive covenants pertaining to financial and operational requirements of the Organization, debt service coverage, minimum net assets without donor restrictions and cash reserve held in trust.

NOTE 7 LONG-TERM DEBT (CONTINUED)

Deferred Financing Costs

Costs incurred in connection with the issuance of debt are capitalized and amortized over the term of the related indebtedness on the Series 2005 Certificates of participation using straight-line amortization which approximates the effective interest method. The total cost incurred in relation to the issuance of the Series 2005 Certificates was $528,250. During 2010, an additional $152,636 of costs was incurred in connection with the modification of the Series 2005 Certificates and in 2013, an additional $5,000 was incurred relating to the Series 2005 Certificates. Deferred financing costs are net of accumulated amortization of $483,198 and $445,955, at December 31, 2020 and 2019, respectively. Total amortization expense related to financing costs was $41,116 and $41,165 for December 31, 2020 and 2019, respectively.

NOTE 8 NET ASSETS

Net assets with donor restrictions were as follows as of the years ended December 31, 2020 and 2019:

	2020	2019
Specific Purpose		
Memory care	$ -	$ 1,600
Call-light system	-	1,000
Health Care Center audio visual project	-	1,851
Improvements to Heath Care Center	30,000	30,000
Total	**$ 30,000**	**$ 34,451**

Net assets with restrictions were released from restrictions by incurring expenditures satisfying the donor-restricted purposes or time requirements during the years ended December 31, 2020 and 2019 as follows:

	2020	2019
Memory care	$ 1,600	$ -
Call-light system	1,000	-
Health Care Center audio visual project	1,851	-
Total	**$ 4,451**	**$ -**

NOTE 9 INCOME TAXES

Palm Village is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Therefore, there is no provision for income taxes reflected in the consolidated financial statements related to the activities of Palm Village.

Peer Services is a California corporation and is therefore subject to income taxes at the federal and state levels. Peer Services had no accrued tax liability as of December 31, 2020 and had a net accrued income tax liability of $1,039 as of December 31, 2019. Peer Services paid $2,177 and $1,631 of federal and state income tax in 2020 and 2019, respectively.

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Income Taxes – Overall*. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and positions related to the potential sources of unrelated business income taxes (UBIT). The tax benefits and liabilities recognized in the consolidated financial statements from such a position are measured based on whether it has a greater than 50% likelihood of being realized upon ultimate settlement. The Organization has assessed its federal and state tax positions and determined that there were no unrelated business income taxes and no uncertainties or possible related effects that need to be recorded as of or for the years ended December 31, 2020 and 2019.

NOTE 10 EMPLOYEE RETIREMENT PLAN

The Organization has a Section 403(b) retirement plan which covers substantially all employees after specified periods of service and after meeting certain eligibility requirements. The plan includes a salary deferral through a payroll savings program with no matching employer contributions.

NOTE 11 CONCENTRATIONS OF CREDIT RISK

The Organization grants credit without collateral to its residents or their families, most of whom are local residents and many who are insured under third-party payer agreements. The mix of receivables from residents and third-party payers at December 31, 2020 and 2019, is as follows:

	2020	2019
Medicare	56%	36%
Medi-Cal	27%	40%
Private	13%	19%
Other	4%	5%
Total	**100%**	**100%**

NOTE 12 CONTINGENCIES AND COMMITMENTS

Government Regulations – Medi-Cal

The California Health and Human Services Agency, Department of Health Services, reserves the right to perform field audit examinations of the Organization's records. Any adjustments resulting from such examinations could retroactively adjust Medi-Cal revenue.

Government Regulations – Medicare

The Medicare intermediary has the authority to audit the skilled nursing facility's records any time within a three-year period after the date the skilled nursing facility receives a final notice of program reimbursement for each cost reporting period. Any adjustments resulting from these audits could retroactively adjust Medicare revenue.

Self-Insurance Plan and Stop Loss Insurance

The Organization operates a self-insurance plan for employee health insurance benefits which is managed by a third-party administrator. At December 31, 2020 and 2019, the accrual for medical and dental claims incurred but not reported was $127,866 and $134,804, respectively, and is recorded in other current liabilities in the consolidated statements of financial position.

Self-Insurance Plan and Stop Loss Insurance (Continued)

The Organization has entered into a stop-loss agreement with an insurance company to limit its losses on individual claims. Under the terms of the agreement, the insurance company will reimburse the Organization 100% of the cost of annual claims, in excess of an $85,000 aggregate deductible, up to $1,000,000 each covered period. The loss limit is $85,000 per individual. Stop-loss insurance premium of approximately $233,000 and $224,000 was included in other benefits on the consolidated statements of functional expenses for the years ended December 31, 2020 and 2019, respectively.

Professional Liability Coverage

The Organization is insured for professional liability under a policy for a combined occurrence and maximum annual aggregate of $3,000,000. The Organization pays fixed premiums for annual professional liability insurance coverage under a claims-made policy. Under such policy, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred. The Organization is not aware of any unasserted claims or unreported incidents that are expected to exceed malpractice insurance coverage limits as of December 31, 2020

Workers' Compensation Insurance

The Organization is part of a group self-insured plan for workers' compensation. Significant claims experienced could impact the results of operations based on independent audits performed by the state. Receivables from excess premiums paid were $4,139 and $14,502 as of the years ended December 31, 2020 and 2019, respectively. There are no estimated future claims for incurred incidents as of December 31, 2020 and 2019. Workers' compensation insurance expense for the years ended December 31, 2020 and 2019 totaled $694,250 and $699,751, respectively, and is included in other benefits on the consolidated statements of functional expenses.

NOTE 12 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Other

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse 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 significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes it has mitigated these risks and that such matters will not have a material or adverse effect on the financial condition or results of operation of the Organization.

Litigation

The Organization is subject to asserted and unasserted claims encountered in the normal course of business. The Organization’s management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization’s legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. Management believes any amount exceeding insurance coverage will be immaterial to the Organization’s financial condition or results of operations.

Affordable Care Act

The Patient Protection and Affordable Care Act and the Health Care and Education Tax Credits Reconciliation Act of 2010 are currently in force. Together, these two acts affect the health care system and impact payments received by health care providers. Under the previous Administration, action had been taken to start repealing the Affordable Care Act. The overall impact of these actions to the Organization is not presently determinable.

Peer Services Limited Guaranty and Security Agreement

On October 8, 2020, Peer Services entered into a limited guarantee and security agreement with a lender in connection with a $10,625,000 term loan agreement between the lender and a client of Peer Services that matures October 6, 2023. Under the limited guarantee agreement, the aggregate liability of Peer Services shall not exceed (1) the principal amount of $3,125,000, (2) plus interest accrued on the obligations, (3) plus all costs and expenses. The security agreements grants the lender collateral in all assets of Peer Services. Key employees of Peer Services have also personally guaranteed this debt, as well as other unrelated third parties. Palm Village is not a guarantor.

NOTE 13 REDEVELOPMENT PLAN OBLIGATIONS (AB 1169 DISCLOSURE)

The Organization’s planned projects are designed to meet the needs of the Organization by providing additional housing and facilities for residents, consistent with the Organization’s tax-exempt status. During the years ended December 31, 2020 and 2019, the Organization expended approximately, $382,132 and $490,953, respectively, for construction costs for its various facilities, including renovating a two-bedroom Patio Home into a three-bedroom Patio Home. Projects are funded by notes payable and net assets without donor restrictions. The board has also designated $332,172 and $288,792 as of December 31, 2020 and 2019, respectively, to be available for potential future contingencies.

NOTE 14 RISK AND UNCERTAINTIES

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy, including the healthcare industry. The extent of the impact of COVID-19 on the Organization’s financial condition will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization’s residents, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization’s financial condition is uncertain.

NOTE 15 PAYCHECK PROTECTION PROGRAM LOAN

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designated to help small businesses cover their near-term operating expenses and to provide an incentive to retain their employees during the coronavirus (COVID-19) crisis. On May 4, 2020, the Organization received loan proceeds from the PPP in the amount of $1,634,867 that may be partially or fully forgiven based on the level of employee retention and if utilized for payroll costs, mortgage obligations, rent, or utilities within a specified covered period and in accordance with the terms and conditions of the PPP loan. Subject to potential forgiveness, the PPP loan matures in two years on May 4, 2022, and bears interest at a rate of 1% per year. Monthly payments of principal and interest of $92,006 are deferred until after any application for forgiveness submitted by the Organization has been acted upon. The PPP loan is unsecured and contains customary events of default relating to, among other things, failure to make payments of principal and interest and breaches of representations and warranties. The Organization may prepay the PPP loan at any time prior to maturity with no penalty.

Consistent with the requirements of the PPP for loan forgiveness, the Organization used the loan proceeds solely for payment of payroll and otherwise in a manner which it believes satisfy the requirements for loan forgiveness. The Organization has submitted an application for forgiveness of the entire amount of the PPP loan with its lender. No assurance can be given that the Organization’s application for loan forgiveness will be approved by the SBA, in whole or in part. At December 31, 2020, the PPP loan is recorded as a liability on the consolidated statements of financial position.

NOTE 15 PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

The scheduled maturities of the loan are as follows at December 31, 2020:

2021	$ 1,291,569
2022	343,298
	$ 1,634,867

NOTE 16 PROVIDER RELIEF FUNDS

During 2020, the Organization received $880,444 in grant funding from the U.S. Department of Health and Human Services (HHS) Provider Relief Fund (PRF), which was established as a result of the CARES Act. Based on the terms and conditions of the grant, the Organization earns the grant by incurring expenses related to the COVID-19 pandemic or by incurring lost patient revenues as a result of COVID-19.

The Organization has accounted for the HHS PRFs as a conditional contribution. Contribution revenue of $643,911 is included in other income in the accompanying consolidated statements of activities and was recognized based on incurring qualifying expenses and lost revenue through December 31, 2020, that management believes meet the terms and conditions of the HHS PRF program. The remaining amount of $236,533 is recorded as a current liability in the consolidated statements of financial position as the Organization has not met the criteria for income recognition at December 31, 2020. Management considers reporting that is required under the program to be an administrative task and, therefore, not a condition.

NOTE 17 STATEMENTS OF CASH FLOWS

The following table provides a reconciliation of cash and restricted cash and cash equivalents reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows for the years ended December 31, 2020 and 2019:

	2020	2019
Cash	$ 4,388,411	$ 4,174,633
Included in assets limited as to use (restricted)		
Interest-bearing cash and cash equivalents	231,683	260,873
Non-interest-bearing cash and cash equivalents	3,704	1,111
Non-interest-bearing cash and cash equivalents	21,912	18,177
Total cash and restricted cash and cash equivalents shown on the statements of cash flows	**$ 4,645,710**	**$ 4,454,794**

NOTE 18 RECLASSIFICATIONS

Certain reclassifications have been made to the prior year consolidated financial statements to conform with the current year presentation. Changes in net assets were not affected.

NOTE 19 SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the Organization received additional proceeds totaling $254,739 from HHS as part of the CARES Act Provider Relief Fund. Amounts are to be used for increased healthcare related expenses or lost revenue attributable to COVID-19. All recipients must attest to certain terms and conditions, which require the submission of documentation to substantiate that these funds were used for increased healthcare related expense or lost revenue attributable to COVID-19. The HHS requires unused funds or inappropriately used funds to be returned.

Management has evaluated subsequent events through the date of the independent auditor’s report, which is the date the consolidated financial statements were issued or available to be issued.