

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the liquid reserve requirements in the accompanying continuing care reserve report of Mennonite Brethren Homes, Inc. d/b/a Palm Village Retirement Community ("Palm Village Retirement Community") (a California nonprofit health care entity), which comprise the Forms 5-1 through 5-5 (the "Report") as of and for the year ended December 31, 2021.

In our opinion, the continuing care reserve report Forms 5-1 through 5-5 present fairly, in all material respects, the liquid reserve requirements of Palm Village Retirement Community as of and for the year ended December 31, 2021, in conformity with the report preparation provision 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Report section of our report. We are required to be independent of Palm Village Retirement Community 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

The Report was prepared for the purpose of complying with California Health and Safety Code Section 1792 and is not intended to be a complete presentation of the assets, liabilities, revenues and expenses of Palm Village Retirement Community and as such is a basis of accounting other than accounting principles generally accepted in the United States. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Report

Management is responsible for the preparation and fair presentation of the Report in accordance with the report preparation provision of 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 a Report that is free from material misstatement, whether due to fraud or error.

In preparing the Report, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Palm Village Retirement Community's ability to continue as a going concern within one year after the date that the Reports are available to be issued.

Auditor's Responsibilities for the Audit of the 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 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Palm Village Retirement Community'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 evaluating 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 Palm Village Retirement Community'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.

Report on the Audit of the Consolidated Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Palm Village Retirement Community and Subsidiary as of and for the years ended December 31, 2021 and 2020, and our report thereon dated April 30, 2022, expressed an unmodified opinion on those consolidated financial statements.

Restriction on Use

This Report is intended solely for the information of the Board of Directors and management of Palm Village Retirement Community 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. However, this Report is a matter of public record and its distribution is not limited.

Wipfli LLP

Wipfli LLP

April 30, 2022
Irvine, California



PALM VILLAGE
RETIREMENT COMMUNITY

April 30, 2022

Department of Social Service
Continuing Care Contracts Branch
744 P Street M/S 10-90
Sacramento, CA 95814

RE: Certification by Chief Executive Officer

Dear Sir or Madam:

This letter is to serve as certification concerning the annual report for Palm Village Retirement Community.

The annual report and any amendments thereto are correct to the best of my knowledge.

Each continuing care contract form in use or offered to new residents has been approved by the Department.

As of the date of the CEO's certification, Palm Village Retirement Community is maintaining the required liquid reserve.

Sincerely,

David K. Reimer
CEO/President

NATIONWIDE MUTUAL INSURANCE COMPANY

COMMERCIAL PROPERTY FORMS AND ENDORSEMENTS

Policy Number: ACP CPP 3009912318

Policy Period: From 03/01/21 To 03/01/22

Named Insured: MENNONITE BRETHERN HOMES INC

Form	Date	Title
CP0010	1012	BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CP0030	1012	BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM
CP0140	0706	EXCLUSION OF LOSS DUE TO VIRUS OR BACTERIA
CP0299	0607	CANCELLATION CHANGES
CP0449	0220	CALIFORNIA CHANGES - REPLACEMENT COST
CP1030	1012	CAUSES OF LOSS - SPECIAL FORM
CP1034	1012	EXCLUSION OF LOSS DUE TO BY-PRODUCTS OF PRODUCTION OR PROCESSING OPERATIONS
CP1040	1012	EARTHQUAKE AND VOLCANIC ERUPTION ENDORSEMENT
CP1270	0996	JOINT OR DISPUTED LOSS AGREEMENT
CP1540	0607	CALIFORNIA - CIVIL AUTHORITY CHANGES
CP7067	0194	COMMERCIAL PROPERTY CONDITIONS
CP7100	0405	PROPERTY AMENDATORY ENDORSEMENT
CP7117	0917	EQUIPMENT BREAKDOWN COVERAGE
CP7118	0917	EQUIPMENT BREAKDOWN COVERAGE SCHEDULE
CP7189	0416	SENIOR LIVING COMMUNITIES PLATINUM PROTECTION PLUS ENDORSEMENT
CP7301	0917	PROTECTIVE SAFEGUARDS
CP9903	1219	CANNABIS EXCLUSION ENDORSEMENT
IL0017	1198	COMMON POLICY CONDITIONS
IL0102	0220	CALIFORNIA CHANGES - ACTUAL CASH VALUE
IL0104	0720	CALIFORNIA CHANGES
IL0241	0116	CALIFORNIA - DESIGNATED ADDITIONAL PERSON TO RECEIVE NOTICE CANCELLATION OR NON
IL0270	0720	CALIFORNIA CHANGES - CANCELLATION AND NONRENEWAL
IL0935	0702	EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES
IL0952	0115	CAP ON LOSSES FROM CERTIFIED ACTS OF TERRORISM
IL0985	0115	DISCLOSURE PURSUANT TO TERRORISM RISK INSURANCE ACT
IN0001	0416	CONSUMER COMPLAINTS AND INFORMATION
IN7406	0107	IMPORTANT FLOOD INSURANCE NOTICE
IN7636	1211	IMPORTANT EARTHQUAKE INSURANCE NOTICE - ONE TO FOUR FAMILY DWELLINGS
IN7809	1115	DATA BREACH & IDENTITY RECOVERY SERVICES
IN7854	0917	PROTECTIVE SAFEGUARD ENDORSEMENT ADVISORY NOTICE TO POLICYHOLDERS
IN8028	0220	NOTICE TO POLICYHOLDERS CANNABIS EXCLUSIONS

CP-DF (10-89)

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ACP CPP 3009912310

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SENIOR LIVING COMMUNITIES PLATINUM PROTECTION PLUS ENDORSEMENT

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
CAUSES OF LOSS - SPECIAL FORM

- A. Throughout the BUILDING AND PERSONAL PROPERTY COVERAGE FORM, CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM, and the CAUSES OF LOSS - SPECIAL FORM, the phrase "within 100 feet" is replaced by "within 1,000 feet".
- B. Under the BUILDING AND PERSONAL PROPERTY COVERAGE FORM or the CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM, the following amendments are made:
1. Under Section A. Coverage, 1. Covered Property, the following is added to b. Your Business Personal Property:
Automated External Defibrillator (AED).
 2. Under Section A. Coverage, 2. Property Not Covered, the following amendments are made:
 - a. Paragraph a. is deleted and is replaced by:
Accounts, bills, currency, food stamps or other evidences of debt, "money", notes, or "securities", except as provided in the Accounts Receivable, Employee Dishonesty and Money and Securities Coverage Extensions and the Computer Fraud And Funds Transfer Fraud, Credit Card Invoices Coverage, Forgery Or Alteration Additional Coverage and Liability for Resident's Property in this endorsement.
 - b. Paragraphs g. and m. are deleted and replaced by:
Foundations of buildings, structures, machinery or boilers if their foundations are below:
 - 1) The lowest basement floor; or
 - 2) The surface of the ground, if there is no basement.
Except as provided in the Foundations and Underground Pipes Coverage Extension in this endorsement.
 3. Under Section A. Coverage, 4. Additional Coverages, the following amendments are made:
 - a. In Additional Coverage a. Debris Removal, paragraph 4), the \$25,000 amount, wherever it appears, is increased. The most we will pay for loss or damage under this Additional Coverage is subject to a \$250,000 blanket limit specific to this endorsement. See Section B. 11. Blanket Limit for additional information on this limit.
 - b. In Additional Coverage b. Preservation of Property, paragraph 2), 30 days is replaced by 90 days.
 - c. In Additional Coverage c. Fire Department Service Charge, the first paragraph is replaced by the following:
When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay the actual cost of your liability for fire department service charges.
 - d. In Additional Coverage d. Pollutant Clean Up and Removal, the \$10,000 limit is increased to \$100,000.
 4. Under the BUILDING AND PERSONAL PROPERTY COVERAGE FORM, Section A. Coverage, 4. Additional Coverages, paragraph e. Increased Cost of Construction is deleted and replaced by the following:
 - e. Ordinance or Law Coverage

exclusion 2.a. does not apply to this Coverage Extension.

The most we will pay under this Coverage Extension is \$50,000 per occurrence.

This Coverage Extension is subject to the Business Personal Property deductible in the Commercial Property Declarations

c. Computers and Media

You may extend the insurance that applies to Your Business Personal Property to apply to direct physical loss or damage caused by a Covered Cause of Loss to computer "equipment" and replaceable "media" that you own, lease, rent, or for which you are otherwise legally responsible.

This Coverage Extension applies to property located on a premises designated in the Commercial Property Declarations. However, we will not pay for loss or damage caused by or resulting from interruption of power supply, power surge, blackout or brownout.

We will not pay for loss, damage, or expense including actual loss of business income and necessary extra expense in any one occurrence until the amount of loss or damage exceeds the \$500 Deductible. We will then pay the amount of loss or damage in excess of that \$500 Deductible, up to the applicable Limit of Insurance.

The most we will pay for loss, damage, or expense including actual loss of business income and necessary extra expense under this Coverage Extension is subject to a \$250,000 blanket limit specific to this endorsement. See Section B. 11 Blanket Limit for additional information on this limit.

d. Computers and Media – Laptop and Off-Premises Coverage

You may extend the insurance that applies to Your Business Personal Property to apply to direct physical loss or damage caused by a Covered Cause of Loss to computer "equipment" including laptops and replaceable

"media" that you own in the course of transit or temporarily at a location you do not own, lease or operate.

However, we will not pay for loss or damage caused by or resulting from interruption of power supply, power surge, blackout or brownout.

We will not pay for loss, damage, or expense including actual loss of business income and necessary extra expense in any one occurrence until the amount of loss or damage exceeds the \$500 Deductible. We will then pay the amount of loss or damage in excess of that \$500 Deductible, up to the applicable Limit of Insurance.

The most we will pay for loss or damage under this Coverage Extension is \$10,000.

e. Employee Dishonesty

1) You may extend the insurance provided by this Coverage Form to apply to:

a) Your Business Personal Property, and "money" and "securities".

b) Your residents' personal property, and "money" and "securities". Residents' personal property does not include property described under A. Coverage, section 2. Property Not Covered, paragraphs b. through j. and l. through q.

c) The legal obligation you have because of the theft or unauthorized use of your business credit, debit or charge cards issued to you or registered in your name or the name of your business.

d) Loss resulting from "fraudulent instruction" directing a financial institution to transfer, pay or deliver "money" or "securities" from your "transfer account"; or

e) Loss directly related to the use of any computer to fraudulently cause a transfer of covered property from inside the

described premises to a person (other than a messenger) or place outside those premises.

- 2) The loss or damage to such property must result from dishonest acts committed by any of your "employees" acting alone or in collusion with other persons (except you or your partner) with the manifest intent to:
 - a) Cause you to sustain a loss or damage; and also
 - b) Obtain financial benefit (other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other "employee" benefits earned in the normal course of employment) for:
 - (1) Any "employee"; or
 - (2) Any other person or organization intended by the "employee" to receive that benefit.
- 3) We will not pay for loss or damage:
 - a) Resulting from any dishonest or criminal act that you or any of your partners commit whether acting alone or in collusion with other persons; or
 - b) The only proof of which as to its existence or amount is:
 - (1) An inventory computation; or
 - (2) A profit and loss computation.
- 4) We will pay only for loss or damage you sustain through acts committed or events occurring during the Policy Period. Regardless of the number of years this policy remains in force or the number of premiums paid, no Limit of Insurance cumulates from year to year or period to period.
- 5) This coverage does not apply to any "employee" immediately upon discovery by you or any of your partners, officers or directors, not in collusion with the "employee", of any dishonest act committed by that "employee" before or after being hired by you.
- 6) We will pay only for covered loss or damage discovered not later than one year from the end of the Policy Period.
- 7) If you (or any predecessor in interest) sustained loss or damage during the period of any prior insurance that you could have recovered under that insurance except that the time within which to discover loss or damage has expired, we will pay for it under this Coverage Extension provided:
 - a) This Coverage Extension became effective at the time of cancellation or termination of the prior insurance; and
 - b) The loss or damage would have been covered by this Coverage Extension had it been in effect when the acts or events causing the loss or damage were committed or occurred.
- 8) The insurance under the preceding paragraph is part of, not in addition to, the Limit of Insurance applying to this Coverage Extension and is limited to the lesser of the amount recoverable under:
 - a) This Coverage Extension as of its effective date; or
 - b) The prior insurance had it remained in effect.
- 9) All loss or damage is considered one occurrence if it:
 - a) Is caused by one or more persons; or
 - b) Involves a single act or series of related acts.
- 10) The most we will pay under this Coverage Extension is \$100,000 per occurrence; however, Your residents' personal property, and "money" and "securities". is limited to \$5,000 per resident client per occurrence.

- 11) A resident client may have other insurance covering the same property as this insurance. This insurance is intended to be primary, and not to contribute with such other insurance.

f. Foundations and Underground Pipes

You may extend the insurance that applies to Your Building to apply to loss or damage to:

- 1) Foundations of buildings, structures, machinery or boilers if their foundations are below:
 - a) The lowest basement floor; or
 - b) The surface on the ground, if there is no basement;
- 2) Underground pipes, flues, and drains and;
- 3) The cost of excavating, grading, back-filling or filling.

Payments under this Coverage Extension will not increase the Building applicable Limit of Insurance.

The most we will pay for loss under this Coverage Extension is subject to the Applicable Limit of Insurance for the Building.

This Coverage Extension is subject to the deductible shown in the Commercial Property Declarations for the Building.

The Additional Condition, Coinsurance, does not apply to this Coverage Extension.

g. Liability for Resident's Property

- 1) You may extend the insurance provided by the Coverage Form to apply to those sums that you become legally obligated to pay as damages because of loss or damage to personal effects and personal property, other than "money" and "securities", belonging to a resident client, except as follows:
 - a) Liability you assume under any written contract or agreement.
 - b) Your release of any other person or organization from legal liability.

- c) Loss or damage to covered property carried or held by a resident client as samples, for sale or for delivery after sale.
- d) Loss or damage to property belonging to you or any of your "employees".

The following additional condition applies:

If there is loss or damage to an item that is part of a pair or set, we will pay the fair and reasonable part of the total value of the pair or set. In settling the proportion of the loss or damage we will give fair consideration to the importance of the article in relation to the pair or set. But no such loss or damage shall in any way be considered a total loss of the pair or set.

The most we will pay under this extension is up to \$5,000 per resident client, subject to a maximum of \$25,000 per occurrence of loss or damage. We will not pay for loss or damage in any one occurrence until the amount of loss or damage exceeds the \$250 Deductible. We will then pay the amount of loss or damage in excess of that \$250 Deductible, up to the applicable Limit of Insurance.

- 2) You may extend the insurance provided by the Coverage Form to apply to those sums that you become legally obligated to pay as damages because of loss or damage to "money" and "securities" belonging to a resident client. This Extension covers "money" and "securities" of your resident clients only while those "money" and "securities" are in a safe or safe deposit box on the insured premises for safekeeping.

We will pay for damages under this extension when loss or damage to "money" and "securities" exceeds \$100, but \$3,000 is the most we will pay in any one occurrence for that part of the loss that exceeds \$100,

professional because of "food contamination" alleged by such patrons to have been transmitted or caused by ingestion of your food.

HOWEVER, this coverage does not apply to you, your employees or, unless they are an affected patron, members of either's household.

- 2) Food contamination means an incidence of food poisoning to one or more of your patrons as a result of:
 - a) Tainted food you purchased;
 - b) Food which has been improperly stored, handled or prepared; or
 - c) A communicable disease transmitted through one or more of your "employees".
- 3) The most we will pay under this Additional Coverage for loss in any one occurrence is:
 - a) \$100,000 for extra expenses;
 - b) \$100,000 for "business income";
 - c) \$50,000 for additional advertising expenses; and
 - d) \$50,000 for inoculation expense.
- 4) We will not pay any fines or penalties levied against you by the Board of Health or any other governmental authority as a result of the discovery or suspicion of food contamination at the described premises.

p. Forgery Or Alteration

- 1) We will pay for loss resulting directly from "forgery" or alteration of checks, drafts, promissory notes or similar written promises, orders or directions to pay a sum certain in "money" that are:
 - a) Made or drawn by or drawn upon you; or
 - b) Made or drawn by one acting as your agent,
 or that are purported to have been so made or drawn.
- 2) If you are sued for refusing to pay any instrument covered in Paragraph 1) above, on the basis

that it has been forged or altered, and you have our written consent to defend against the suit, we will pay for any reasonable legal expenses that you incur and pay in that defense.

- 3) The most we will pay for any loss, including legal expenses, under this Additional Coverage is \$100,000.
- 4) We will treat mechanically reproduced facsimile signatures the same as handwritten signatures.

q. Key Person Replacement Expense Coverage

We will pay up to \$25,000 for necessary and reasonable recruitment expenses you incur to replace a licensed nursing home administrator, director of nursing or chief financial officer in the event of their death or permanent and total disability because of a work related accident.

r. Limited Business Income

- 1) We will pay up to \$250,000 for the actual loss of "Business Income", including "rental value", you sustain due to the necessary "suspension" of your "operations" during the "period of restoration". The "suspension" must be caused by direct physical loss of or damage to property at premises which are described in the Declarations. The loss or damage must be caused by or result from a Covered Cause of Loss. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises includes the area within 1,000 feet of such premises.

With respect to the requirements set forth in the preceding paragraph, if you occupy only part of a building, your premises means:

- a) The portion of the building which you rent, lease or occupy;
- b) The area within 1,000 feet of the building or within 1,000 feet of the premises described in the Declarations, whichever

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	157
[2]	Number at end of fiscal year	153
[3]	Total Lines 1 and 2	310
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	X.50
[5]	Mean number of continuing care residents	155
All Residents		
[6]	Number at beginning of fiscal year	267
[7]	Number at end of fiscal year	263
[8]	Total Lines 6 and 7	530
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	X.50
[10]	Mean number of <i>all</i> residents	265
	Divide the mean number of continuing care residents (Line 5) by the	
[11]	mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.58

Line

**FORM 1-2
ANNUAL PROVIDER FEE**

TOTAL

[1]	Total Operating Expenses (including depreciation and debt service - interest only)	16,418,413
[a]	Depreciation	870,393
[b]	Debt Service (Interest Only)	4,594
[2]	Subtotal (add Line 1 a and 1 b)	874,987
[3]	Subtract Line 2 from Line 1 and enter result.	15,543,426
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	0.58
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	9,015,187
[6]	Total Amount Due (multiply Line 5 by .001)	9,015

PROVIDER: Mennonite Brethren Homes, Inc.
COMMUNITY: Palm Village Retirement Community

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	8/25/2005	630,000	4,594	-	634,594
2				-	-
3				-	-
4				-	-
5			-		
6			-		
7			-		
8			-		
TOTAL:					634,594

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

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

Interest per Audited Financial Statements:
Less: LOC Fees Paid in Fiscal Year 31,203
Less: Miscellaneous Issuance and Maintenance Fees Paid in Fiscal Year (21,142)
(5,467)

Bond Interest Expense Paid in the Fiscal Year : 4,594

PROVIDER: Mennonite Brethren Homes, Inc

FORM 5-2

LONG-TERM DEBT INCURRED

DURING FISCAL YEAR

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(Including Balloon Debt) (c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1	-	-	-	-	-
2					
3					
4					
5					
6					
7					
8					
TOTAL:		-	-	-	-

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

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

Provider comment: New SBA PPP loan dated 04/05/2021 for \$56,382. No principal or interest paid to date. The Organization submitted an application for forgiveness of the entire amount of the PPP loan with its lender.

PROVIDER: Mennonite Brethren Homes, Inc

For year ended 12/31/21
 Form 5-1 & 5-2 Financial Statement Reconciliation

Audited Financial Statements: Cash Flows from Principal Payments on Long-Term Debt		<u>630,000</u>
Form 5-2 Long-Term Debt Obligation		\$ -
Form 5-1 Long-Term Debt Obligations		
	1	630,000
	2	-
	3	-
	4	-
		<u>630,000</u>
		<u>630,000</u>

Audited Financial Statement: Consolidated Statements of Financial Position page 6

	<u>2021</u>	<u>2020</u>
Current maturities of Long-term debt	655,000	630,000
Bonds Payable, less current portion	2,905,000	3,560,000
Less: deferred financing costs, net	(165,399)	(202,688)
Capital lease	0	0
	<u>3,394,601</u>	<u>3,987,312</u>
Principal Payment on long-term debt - Cash Flows page 11 of Audit	(630,000)	(605,736)

Audited Financial Statements: Cash Flows paid to suppliers and employees	15,757,679
Less other operating expenses	15,757,679
Amounts paid for credit enhancement premiums	<u>-</u>
Form 5-1 (d) Credit Enhancement Premiums Paid	<u>-</u>

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

<u>Line</u>	<u>TOTAL</u>
1 Total from Form 5-1 bottom of Column (e)	634,594
2 Total from Form 5-2 bottom of Column (e)	-
3 Facility leasehold or rental payment paid by provider during fiscal year, (including related payments such as lease insurance)	0
4 TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	634,594

PROVIDER: Mennonite Brethren Homes, Inc

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

<u>Line</u>	<u>Amounts</u>	<u>TOTAL</u>
1	Total operating expenses from financial statements	16,418,413
2	Deductions	
a	Interest paid on long-term debt (see instructions)	4,594
b	Credit enhancement premiums paid for long-term debt (see instructions)	-
c	Depreciation	870,393
d	Amortization	41,165
e	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	9,947,283
f	Extraordinary expenses approved by the Department	0
3	Total Deductions	10,863,435
4	Net Operating Expenses	5,554,978
5	Divide Line 4 by 365 and enter the result.	15,219
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	1,141,434

PROVIDER: Mennonite Brethren Homes, Inc
COMMUNITY: Palm Village Retirement Community

For year ended 12/31/21
Form 5-4 line 2-e

9,947,283

Total Revenue, per the statement of Activities 15,225,027

Less:

Amort of entrance fees (1,021,195)
Other revenue (126,649)
RCC & HCC (3,295,446)
Patio Home Maint Fees (834,454)

(5,277,744)

9,947,283

Residential Services Revenue, per the statement of Activities 13,439,799

Consulting Revenue, per the statement of activities 637,384

Other income, per the statement of Activities 126,649

Change in allowance for doubtful accounts (65)

Provision for bad debts 41,271

Change in account receivable 648,913

Change in accomodation fee deposits (137,450)

Change in refundable accomodation fees 33,049

Receipt of accomodation fees 1,004,450

Deferred revenue from consulting services 62,550

Deferred revenue from cottage commons -

Total cash received from residents and consulting 15,856,550

Cash received from Residents, per the consolidated statement of cash flows 15,236,211

Cash received from consulting services, per the consolidated statement of cash flows 620,339

15,856,550

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: Mennonite Brethren Homes, Inc.

Fiscal Year Ended: 12/31/2021

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2021 and are in compliance with those requirement

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	634,594
[2] Operating Expense Reserve Amount	1,141,434
[3] Total Liquid Reserve Amount:	1,776,028

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

	<u>Amount</u> (market value at end of quarter)	
<u>Qualifving Asset Description</u>	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	1,200,000	2,647,477
[5] Investment Securities		1,198,246
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other:		
(describe qualifying asset)		
Total Amount of Qualifying Assets Listed for Liquid Reserve:	[11] 1,200,000	[12] 3,845,723
Total Amount Required:	[13] 634,594	[14] 1,141,434
Surplus/(Deficiency):	[15] 565,406	[16] 2,704,289

Signature:



Date:

4/30/2022

(Authorized Representative)

CEO/President

Reserve Disclosure as of 12/31/21

		Bank Accounts at Bank of the Sierra (BOTS) Reedley, CA Account #s
CASH IN BANK - BOTS	0	#822777270 - BOTS
CASH IN BANK -BOTS SWEEP 2	(161,727)	#1500123770 - BOTS
CASH IN BANK -BOTS SWEEP 2	981,024	#1500123770 - BOTS
CASH IN BANK - BOTS SWEEP 1	50,000	#1500123799 - BOTS
CASH IN BANK - COVID HHS Relief Proceeds	985,465	#1501883186 - BOTS
CASH IN BANK - Payroll Protection Program	266,386	#1501883178 - BOTS
DEBT SERVICE FUND 05 - ANNUAL BOND PAYMENT	218,976	#822750070 - BOTS
BOTS CHAPEL FUND - CHAPEL OFFERING	-	#822819170 - BOTS
1- Certificate of Deposit	503,097	#1500714631 - BOTS
2- Certificate of Deposit	502,376	#1500715506 - BOTS
3- Certificate of Deposit	501,880	#1500716138 - BOTS
BRETHEN FUNDS - INVESTMENTS	527,369	BRETHREN FOUNDATION FUNDS
BOARD DESIGNATED ENDOWEMENT - INVESTMENT	670,877	BRETHREN FOUNDATION FUNDS
	\$ 5,045,723	
	\$ 5,045,723	
	Debt Service Reserve	Operating Reserve
Debt Service Reserve	\$ 1,200,000	
Operating Reserve		\$ 3,845,723
Cash and Cash Equivalents (line 4)	\$ 1,200,000	\$ 3,845,723
	\$ 1,200,000	\$ 3,845,723

Total Amount of Qualifying Assets	\$ 1,200,000	\$ 3,845,723
	\$ 1,200,000	\$ 3,845,723

No funds have been accumulated for identified projects or purposes and no funds are maintained or designated for specific contingencies.

Per Capita Costs of Operations

Total Operating Expenses	\$	16,418,413
Mean Number of All Residents		265.00
Per Capita Costs of Operations	\$	61,956.28

CCRC Ratios	2019	2020	2021
income	15,662,749	15,843,064	17,193,190
Def rev amortization	(1,010,458)	(899,250)	(1,021,195)
inc from op	14,652,291	14,943,814	16,171,995
oper exp	15,665,187	16,151,550	16,377,423
depc & amort	(802,635)	(849,924)	(911,558)
int exp	(77,847)	(32,739)	(4,594)
	14,784,705	15,268,887	15,461,271
net inc from op	(132,414)	(325,073)	710,724
int exp	(77,847)	(32,739)	(4,594)
contributions (0600.04, 0600)	192,248	341,405	145,323
non oper income	17,981	3,504	12,815
net inc before EF, Amort/Dep	(32)	(12,903)	864,268
net cash flow from ent fee	782,000	1,055,901	798,458

Long-term Debt to Total Assets Ratio
long-term debt
less current portion
divided by total assets

2021
2,961,382
16,496,775
17.95%

Operating Ratio
total op expense
less dep exp
less amort exp
divided by total op rev
less amort deferred rev

15,461,271
16,171,995
95.61%

Debt Service Coverage Ratio
total exccs of rev over exp
plus int
plus dep & Amort exp
less amort of def rev
plus net proc from ent fee
divided by annual debt service

710,724
4,594
911,558
(1,021,195)
798,458
655,000
2.14

Days Cash on Hand Ratio
Unrestricted Current Cash
Plus Unrestricted Non-current cash
(Operating Expenses
less Depreciation less Amortization)
divided by 365

3,301,572
15,465,865
0.21
77.92

Net cash flow from entrance fees
Deposits
Less refunds

FS lines on stmt of cash flows:
Deferred revenue from accommodation fees
Refund of accommodation fees

1,004,450
(205,992)
798,458

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

Date Prepared: 4/30/2022

FACILITY NAME: Palm Village Retirement Community
 ADDRESS: 701 W. Herbert, Reedley ZIP CODE: 93654 PHONE: 559-638-6933
 PROVIDER NAME: Mennonite Brethren Homes, Inc. FACILITY OPERATOR: Mennonite Brethren Homes, Inc.
 RELATED FACILITIES: N/A RELIGIOUS AFFILIATION: Mennonite Brethren
 YEAR # OF SINGLE MULTI- MILES TO SHOPPING CTR: 1
 OPENED: 1942 ACRES: 17.8 STORY STORY OTHER: _____ MILES TO HOSPITAL: 2.5

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: _____	ASSISTED LIVING: <u>69</u> suites
APARTMENTS — 1 BDRM: _____	SKILLED NURSING: <u>105</u> beds
APARTMENTS — 2 BDRM: _____	SPECIAL CARE: <u>15</u> beds
COTTAGES/HOUSES: <u>80</u> units	DESCRIPTION: > <u>Dementia</u>
RLU OCCUPANCY (%) AT YEAR END: <u>89.7%</u>	> _____

TYPE OF OWNERSHIP: NOT-FOR-PROFIT FOR-PROFIT ACCREDITED?: YES NO BY: _____

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

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER: _____

RANGE OF ENTRANCE FEES: \$ 94,500 - \$ 203,700 **LONG-TERM CARE INSURANCE REQUIRED?** YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 14 days respite care each year for Independent Living Residents

ENTRY REQUIREMENTS: MIN. AGE: _____ PRIOR PROFESSION: N/A OTHER: N/A

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD (briefly describe provider's compliance and residents' role): >

 > _____

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

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.
 Page 1 of 4

PROVIDER NAME: Mennonite Brethren Homes, Inc.

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

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

PROVIDER NAME: Mennonite Brethren Homes, Inc.

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	14,547,032	14,652,291	14,943,814	16,171,995
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	14,384,443	14,784,705	15,268,887	15,461,271
NET INCOME FROM OPERATIONS	162,589	(132,414)	(325,073)	710,724
LESS INTEREST EXPENSE	82,984	77,847	32,739	(4,594)
PLUS CONTRIBUTIONS	127,842	192,248	341,405	145,323
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	(63,985)	17,981	3,504	12,815
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	143,462	(32)	(12,903)	864,268
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	782,000	1,055,901	1,038,960	798,458

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
Cert of Participation	3,394,601	0.2%	2005	08/01/26	21 years

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

	2017 CCAC Medians 50th Percentile <i>(optional)</i>	2019 2018	2020 2019	2021 2020
DEBT TO ASSET RATIO	23.76	19.46	17.95	
OPERATING RATIO	100.90	102.18	95.61	
DEBT SERVICE COVERAGE RATIO	1.31	1.11	2.14	
DAYS CASH ON HAND RATIO	102.52	104.68	77.92	

HISTORICAL MONTHLY SERVICE FEES *(Average Fee and Change Percentage)*

	2018	%	2019	%	2020	%	2021	%
STUDIO								
ONE BEDROOM	718	4.00	775	6.90	791	7.94	807	2.00
TWO BEDROOM	777	5.95	840	4.01	856	8.11	873	2.00
COTTAGE/HOUSE								
ASSISTED LIVING	119	3.60	125	3.47	128	5.04	131	2.00
SKILLED NURSING	274	5.00	282	3.00	288	2.92	291	1.20
SPECIAL CARE	274	5.00	282	3.00	288	2.92	291	1.20

COMMENTS FROM PROVIDER: >

> _____
 > _____
 > _____

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>873.00 per month</u>	<u>131.00 per day</u>	<u>291.00 per day</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>2.00%</u>	<u>2.00%</u>	<u>1.20%</u>

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

[3] Indicate the date the fee increase was implemented: 1/1/2021
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

PROVIDER: Mennonite Brethren Homes, Inc.

COMMUNITY: Palm Village Retirement Community

Form 7-1 Attachment Monthly Care Fee Increase

[NOTE: The provider must include a narrative with this attachment to explain how they complied with the Health and Safety Code. Below is an example how the monthly care fee increase was determined in conjunction with the narrative using projected costs. This attachment does not address "Per Capita Costs" but could partly incorporate elements of "Economic Indicators" into the function of projecting future costs.]

**FORM 7-1 MONTHLY CARE FEE INCREASE (MCFI)
ANNUAL REPORTING FISCAL YEAR (F/Y) 2021**

Dollar Amounts in Thousands

Line	Fiscal Years	2019	2020	2021
1	F/Y 2019 Operating Expenses ¹	(15,757)		
2	F/Y 2020 Operating Expenses ² (Adjustments if any, Explained Below)		(16,225)	
3	Projected F/Y 2021 Results of Operations (Adjustments Explained Below)			(16,418)
4	F/Y 2021 Anticipated MCF Revenue ³ Based on Current and Projected Occupancy and Other ⁴ without a MCFI			15,225
5	Projected F/Y 2021 (Net) Operating Results ² without a MCFI (Line 3 plus Line 4)			(1,193)
6	Projected F/Y 2021 Anticipated Revenue Based on Current and Projected Occupancy and Other ⁴ with MCFI 2.0%			15,530
7	Grand Total - Projected FY 2021 Net Operating Activity After 2.00% MCFI (Line 3 plus Line 6)			(889)

Adjustments Explained:

Monthly Care Fee Increase: 2.00%

- 1 Enter to the total operating expenses from the independent audit of the Statement of Operations
- 2 Internal Accounting and Budget Records does not include entrance fees
- 3 "Adjustments" can include but not limited to reserves
- 4 "Other" can include but not limited to Contributions and Ancillary



Report on CCRC Monthly Service Fees for 2021
Explanation of the Increase in Monthly Service Fees

Fee increases for Residential Living averaged 2%, Assisted Living averaged 2.0%, and Skilled Nursing averaged 1.2.0%. The rate increases were due to increases in the following expense areas: utilities, labor costs, capital improvements. Any excess in the rate increase was used to build reserves.