Mennonite Brethren Homes, Inc. DBA Palm Village Retirement Community and Subsidiary

Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

WIPFLI

Mennonite Brethren Homes, Inc. DBA Palm Village Retirement Community and Subsidiary

Years Ended December 31, 2023 and 2022

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WIPFLI

Independent Auditor's Report

To the Board of Directors
Mennonite Brethren Homes, Inc. DBA Palm Village
Retirement Community and Subsidiary
Reedley, California

Opinion

We have audited the accompanying consolidated financial statements of Mennonite Brethren Homes, Inc. DBA Palm Village Retirement Community (a California nonprofit health care entity), and Subsidiary (a California Corporation) which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mennonite Brethren Homes, Inc. DBA Palm Village Retirement Community and Subsidiary as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States (''GAAP'').

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Mennonite Brethren Homes, Inc. DBA Palm Village Retirement Community and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mennonite Brethren Homes, Inc. DBA Palm Village Retirement Community and Subsidiary's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mennonite Brethren Homes, Inc. DBA Palm Village Retirement Community and Subsidiary's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mennonite Brethren Homes, Inc. DBA Palm Village Retirement Community and Subsidiary'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.

Wipfli LLP

Wipfli LLP

Irvine, California
May 2, 2024

Mennonite Brethren Homes, Inc. DBA Palm Village Retirement Community and Subsidiary

Consolidated Statements of Financial Position

As of December 31,	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 290,282	$ 1,588,950
Accounts receivable		
Resident, net	2,158,650	1,485,366
Consulting, net	-	6,553
Other	3,359,983	29,149
Prepaid expenses	302,719	496,698
Supplies inventory	29,580	21,672
Current portion of assets limited as to use	1,190,605	1,025,787
Total current assets	7,331,819	4,654,175
Assets limited as to use		
Under indenture agreement, held for debt services	297,474	287,061
Emergency funds	1,162,725	996,019
Chapel fund - resident use	5,423	7,416
Resident funds	22,457	22,352
Total assets limited as to use	1,488,079	1,312,848
Less: current portion shown above	(1,190,605)	(1,025,787)
Assets limited as to use (net of current portion)	297,474	287,061
Fixed assets		
Land	998,567	998,567
Buildings and improvements	24,292,617	23,727,233
Furniture and equipment	4,795,039	4,727,574
Vehicles	233,230	271,263
Total fixed assets	30,319,453	29,724,637
Accumulated depreciation	(20,312,821)	(19,405,513)
Net fixed assets	10,006,632	10,319,124
Total assets	$ 17,635,925	$ 15,260,360

Mennonite Brethren Homes, Inc. DBA Palm Village Retirement Community and Subsidiary

Consolidated Statements of Financial Position (Continued)

As of December 31,	2023	2022
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 690,168	$ 397,296
Accrued salaries, payroll taxes, and benefits	756,014	702,191
Accommodation fee deposits	44,000	30,000
Deferred revenue	400,134	330,128
Current portion of refundable accommodation fees	82,253	377,528
Current maturities of bonds payable	710,000	685,000
Other current liabilities	203,724	120,538
Total current liabilities	2,886,293	2,642,681
Long-term debt		
Bonds payable, less current portion and deferred financing costs	1,419,185	2,091,893
Other liabilities		
Refundable accommodation fees	3,193,668	2,741,545
Deferred revenue from accommodation fees	2,235,699	2,191,607
Total other liabilities	5,429,367	4,933,152
Total liabilities	9,734,845	9,667,726
Net assets		
Without donor restrictions:	7,871,080	5,562,634
With donor restrictions	30,000	30,000
Total net assets	7,901,080	5,592,634
Total liabilities and net assets	$ 17,635,925	$ 15,260,360

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

	2023			2022		
Years ended December 31,	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:						
Resident services	$ 16,140,348	$ -	$ 16,140,348	$ 14,354,559	$ -	$ 14,354,559
Accommodation fees	932,374	-	932,374	795,092	-	795,092
Other	263,150	-	263,150	238,545	-	238,545
Total revenue	17,335,872	-	17,335,872	15,388,196	-	15,388,196
Operating expenses:						
Palm Village Retirement Community						
Program services	16,309,484	-	16,309,484	14,656,759	-	14,656,759
Support services:						
Management and general	1,991,780	-	1,991,780	1,838,601	-	1,838,601
Fundraising	34,706	-	34,706	36,760	-	36,760
Total operating expenses	18,335,970	-	18,335,970	16,532,120	-	16,532,120
Change in net assets from operations	(1,000,098)	-	(1,000,098)	(1,143,924)	-	(1,143,924)
Other income (expenses):						
Provider Relief Funds	-	-	-	145,336	-	145,336
PPP loan forgiveness	-	-	-	56,382	-	56,382
Employee Retention Credit	3,359,983	-	3,359,983	-	-	-
Investment income (loss), net	194,495	-	194,495	(175,506)	-	(175,506)
Contributions	159,845	-	159,845	137,761	-	137,761
Other income (expense)	(1,338)	-	(1,338)	9,751	-	9,751
Total other income	3,712,985	-	3,712,985	173,724	-	173,724

Mennonite Brethren Homes, Inc. DBA Palm Village Retirement Community and Subsidiary

Consolidated Statements of Activities (Continued)

	2023			2022		
Years ended December 31,	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets before discontinued operations	$ 2,712,887	$ -	$ 2,712,887	$ (970,200)	$ -	$ (970,200)
Changes in net assets from discontinued operations	(404,441)	-	(404,441)	(457,652)	-	(457,652)
Changes in net assets	2,308,446	-	2,308,446	(1,427,852)	-	(1,427,852)
Net assets, beginning of year	5,562,634	30,000	5,592,634	6,990,486	30,000	7,020,486
Net assets, end of year	$ 7,871,080	$ 30,000	$ 7,901,080	$ 5,562,634	$ 30,000	$ 5,592,634

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 Functional Expenses

	2023			
Year Ended December 31,	Program Services	Management and General	Fundraising	Total Expenses
Accounting	$ -	$ 146,863	$ -	$ 146,863
Advertising	35,297	-	15,127	50,424
Bad debt	-	112,438	-	112,438
Covid-19 related expenses	485	-	-	485
Creative	14,223	2,125	-	16,348
Depreciation	863,909	44,417	-	908,326
Dues and subscriptions	78,567	-	-	78,567
Education	64,919	-	-	64,919
Food	928,142	-	-	928,142
Fundraising costs	-	-	7,093	7,093
Insurance	594,913	30,587	-	625,500
Interest	121,827	6,264	-	128,091
Legal	36,303	-	-	36,303
Licenses and taxes	180,519	-	-	180,519
Minor equipment	31,642	-	-	31,642
Miscellaneous	28,174	-	-	28,174
Occupancy and utilities	948,341	48,758	-	997,099
Other benefits	1,394,636	208,394	-	1,603,030
Payroll taxes	619,636	92,589	-	712,225
Postage	10,158	-	4,354	14,512
Printing and publication	18,975	-	8,132	27,107
Professional services	1,657,164	247,622	-	1,904,786
Repairs and maintenance	272,454	14,008	-	286,462
Salaries and wages	7,427,916	906,983	-	8,334,899
Security	105,942	-	-	105,942
Supplies	770,102	115,073	-	885,175
Telephone	19,624	2,932	-	22,556
Transportation	442	-	-	442
Travel	85,174	12,727	-	97,901
Total operating expenses	$ 16,309,484	$ 1,991,780	$ 34,706	$ 18,335,970

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 Functional Expenses (Continued)

	2022			
Year Ended December 31,	Program Services	Management and General	Fundraising	Total Expenses
Accounting	$ -	$ 156,074	$ -	$ 156,074
Advertising	50,729	-	21,741	72,470
Bad debt	-	93,624	-	93,624
Covid-19 related expenses	18,292	-	-	18,292
Creative	19,800	2,959	-	22,759
Depreciation	861,257	44,281	-	905,538
Dues and subscriptions	65,074	-	-	65,074
Education	17,320	-	-	17,320
Food	919,215	-	-	919,215
Fundraising costs	-	-	3,386	3,386
Insurance	516,831	26,572	-	543,403
Interest	111,725	5,744	-	117,469
Legal	21,995	-	-	21,995
Licenses and taxes	123,225	-	-	123,225
Minor equipment	26,004	-	-	26,004
Miscellaneous	11,660	-	-	11,660
Occupancy and utilities	814,287	41,866	-	856,153
Other benefits	1,243,576	185,822	-	1,429,398
Payroll taxes	586,255	87,601	-	673,856
Postage	15,767	-	6,757	22,524
Printing and publication	11,376	-	4,876	16,252
Professional services	1,236,130	184,709	-	1,420,839
Repairs and maintenance	237,749	12,224	-	249,973
Salaries and wages	6,849,824	878,735	-	7,728,559
Security	105,036	-	-	105,036
Supplies	718,028	107,291	-	825,319
Telephone	20,498	3,063	-	23,561
Transportation	1,325	-	-	1,325
Travel	53,781	8,036	-	61,817
Total operating expenses	$ 14,656,759	$ 1,838,601	$ 36,760	$ 16,532,120

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 Cash Flows

Years ended December 31,		**2023**		**2022**
Cash flows from operating activities				
Cash received from residents	$	16,999,399	$	15,437,707
Cash received from consulting services		-		202,527
Cash received from Employee Retention Credit and other grantors		137,690		-
Cash paid to suppliers and employees		(17,231,986)		(15,915,997)
Income tax paid		-		(904)
Interest received		53,773		44,409
Contributions received		159,845		137,761
Interest paid		(85,883)		(41,197)
Net cash from operating activities		32,838		(135,694)
Cash flows from investing activities				
Payments for property and equipment		(270,834)		(462,280)
Purchases of assets whose use is limited		(25,984)		(17,688)
Net cash from investing activities		(296,818)		(479,968)
Cash flows from financing activities				
Refund of accommodation fees		(341,163)		(373,994)
Principal payment on long-term debt		(685,000)		(655,000)
Net cash from financing activities		(1,026,163)		(1,028,994)
Net change in cash and cash equivalents and restricted cash		(1,290,143)		(1,644,656)
Cash and cash equivalents and restricted cash, beginning of year		1,905,779		3,550,435
Cash and cash equivalents and restricted cash, end of year	$	615,636	$	1,905,779

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 Cash Flows (Continued)

Years ended December 31,	2023	2022
Reconciliation of changes in net assets to net cash from operating activities		
Change in net assets	$ 2,308,446	$ (1,427,852)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	908,326	905,538
Amortization of deferred financing costs	37,292	37,292
Change in allowance for doubtful accounts	(19,350)	163,849
Provision for bad debt	127,371	77,728
Unrealized (gains) losses	(140,722)	219,915
Provider Relief Funds	-	(145,336)
PPP loan forgiveness	-	(56,382)
Amortization of accommodation fees	(932,374)	(795,092)
(Increase) decrease in assets		
Accounts receivable	(4,105,586)	(730,724)
Prepaid expenses	193,979	(205,399)
Supplies inventory	(7,908)	7,494
Increase (decrease) in liabilities		
Accounts payable	292,872	452,048
Accrued salaries, payroll taxes, and benefits	53,823	81,414
Accommodation fee deposits	14,000	9,000
Deferred revenue	(254,994)	(160,049)
Other current liabilities	83,186	15,004
Refundable accommodation fees	(184,523)	292,158
Deferred revenue from accommodation fees	1,659,000	1,123,700
Total adjustments	(2,275,608)	1,292,158
Net cash from operating activities	$ 32,838	$ (135,694)

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 81 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 consulting 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. The Board of Directors of Peer Services made the decision in March 2023 to wind down its operations and made the decision in April 2023 to prepare to file for bankruptcy. Peer Services filed the petition for bankruptcy under Chapter 7 on June 9, 2023. See Note 21 for discontinued operations disclosures.

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 (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:

As of December 31,	2023	2022
Emergency funds	$ 1,162,725	$ 996,019
Chapel fund - resident use	5,423	7,416
Total board restricted net assets	$ 1,168,148	$ 1,003,435

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, 2023 and 2022.

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 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.

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 $191,787 and $211,137 as of December 31, 2023 and 2022, respectively. Accounts receivable, net an allowance for doubtful accounts of $47,288, totaled $926,051 as of January 1, 2022.

See Note 17 for Other Accounts Receivable related to Employee Retention Credit.

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 payment for a facility license renewal and prepaid insurance.

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, 2023 and 2022 was $908,326 and $905,538, 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 2023 and 2022.

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 and commingled investment funds.

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 $22,457 and $22,352 at December 31, 2023 and 2022, respectively.

Letter of Credit Fees

The Organization paid letter of credit fees on an annual basis relating to the issuance of the Series 2005 Certificates of Participation, which ended during the year December 31, 2022.

Accommodation Fees

The Organization operates a continuing care program for its residents. The Organization accounts for revenue generated from accommodation fees under Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 606, as the predominant component relates to healthcare and other resident services as described below. Residents may enter into a Life Care agreement under which the Organization is obligated to provide future nursing, assisted living, or memory support services to residents under the agreement at a discount, as defined in the agreement, from established charges should residents need such services. Standard agreements provide certain priority rights should the resident require a transfer to the assisted living or skilled nursing facilities, and provide a limited amount of health care benefits. The terms of the agreement between the Organization and the residents contain two forms of payment - an entrance fee and monthly fees. The entrance fee, which may vary in amount depending upon the accommodations selected in the agreement, is paid on the date of contractual occupancy. Based on the agreement, the entrance fee or a portion of the entrance fee may be nonrefundable. The refundable portion of the resident agreement is not part of the transaction price and is recorded as a refundable entrance fee liability in the accompanying consolidated statements of financial position.

Note 2: Summary of Significant Accounting Policies (Continued)

Accommodation Fees (Continued)

The nonrefundable entrance fee provides the resident with a material right to access health services at the facility over the remaining life span of the resident or until the contract is terminated. The monthly fees are specified in the resident's agreement and are generally fixed with periodic changes based on increases in inflation or in operating costs, or other factors as defined in the resident agreement. The monthly fees are due at the beginning of the month and entitles the resident to the use of the independent, nursing, and assisted living facilities.

Under the resident agreement, the Organization's performance obligation is to stand ready each month to provide a service such that the resident can continue to live at the facility and access the appropriate level of care based on the resident's needs. The services a resident will receive under that resident agreement are dependent on the resident's health and life span along with their decision to continue to reside at the facility.

The Organization recognizes the monthly fee over the month the services are provided as the resident simultaneously receives and consumes the benefits of occupying the unit. In this case, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation. Each month the resident occupies the unit is a separate contract and performance obligation based on the fact the resident has a unilateral right to terminate the contract with 90 days written notice (management considers the 90 day notice period to be short-term and not significantly different from month-to-month). Since the contract can be terminated by either party without permission from the other party at any time without compensating the other party for the termination (that is, other than paying amounts due as a result of services transferred up to the termination date), the duration of the contract does not extend beyond the services already transferred.

The nonrefundable entrance fee included in the resident agreement provides a material right performance obligation for the resident to receive additional health services at any time based on the resident's needs. The Organization recognizes the nonrefundable entrance fee for the material right associated with access to future services using a time-based measurement (i e., resident's life-expectancy). This results in equal amounts allocated to each month because the nature of the Organization's performance is to have various residential, social, or health care services available to the resident on a when-and-if needed basis each month for as long as the resident remains in the facility. Recognizing the material right performance obligation over the resident's life expectancy, using the most currently available life tables, provides a faithful depiction of the transfer of services over the term of the performance obligation. There are certain provisions and circumstances, usually at the beginning of the contract, whereby the nonrefundable entrance fee could be refunded or partially refunded. At the end of the reporting periods, management's estimate of the unsatisfied performance obligation of the nonrefundable entrance fee is reported as deferred revenue from accommodation fees in the accompanying consolidated statements of financial position. Subsequent changes to management's estimate of the transaction price, including changes in the resident's life expectancy, are recognized as adjustments to accommodation fees revenue and were not significant in 2023 or 2022.

Note 2: Summary of Significant Accounting Policies (Continued)

Accommodation Fees (Continued)

The Organization has elected the practical expedient in which lease and non-lease components within its life contracts are recognized as one combined component with a single performance obligation under FASB ASC 606, as the non-lease components to provide access to healthcare services as a stand-ready obligation are the predominant components.

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 6 and 7 contracts on a 72-month schedule for the years ended December 31, 2023 and 2022, 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 52 and 67 contracts on a 50-month schedule for the years ended December 31, 2023 and 2022, respectively.

Beginning in 2022, the Organization also began offering reduced entrance fees for a limited amount of independent living units. These contracts amortize over 36 months. There were 17 and 5 contracts on a 36-month schedule for the years ended December 31, 2023 and 2022, respectively.

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 2.78%, 2% or 1.38% per month, depending on whether a thirty-six month, 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.

Accommodation fees are recorded as deferred revenue upon receipt and are amortized into accommodation fees revenue on the consolidated statements of activities using 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.

Note 2: Summary of Significant Accounting Policies (Continued)

Accommodation Fees (Continued)

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, 2023 and 2022 were $44,000 and $30,000, respectively.

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.

Note 2: Summary of Significant Accounting Policies (Continued)

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was $51,132 and $74,429, for the years ended December 31, 2023 and 2022, respectively.

Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, assets limited as to use, accounts payable, other current liabilities, 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 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, and payroll taxes are allocated on the basis of time and effort;
- Office supplies, telephone, travel, creative, advertising, and professional services are allocated based upon benefit received; and
- Occupancy/utilities, interest expense, repairs and maintenance, insurance, and depreciation expense are allocated on a square footage basis.

Investment Income

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

Note 2: Summary of Significant Accounting Policies (Continued)

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 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, 2023 and 2022.

Resident Services Revenue and Consulting Income

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 resident services provided. Revenue from performance obligations satisfied over time is recognized based on a predetermined rate formula under a contractual arrangement with the third-party payor or the uninsured resident. Generally, performance obligations satisfied over time relate to residents receiving post-acute care services as the residents simultaneously receive and consume the benefits of the services provided. In this case, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. 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. Each day a resident receives services is a separate contract and performance obligation based on the fact the resident has a unilateral right to terminate the contract upon giving 90 day's written notice with no penalty or compensation due. Since the contract can be terminated by either party without permission from the other party at any time without compensating the other party for the termination (that is, other than paying amounts due as a result of services transferred up to the termination date), the duration of the contract does not extend beyond the services already transferred. The Organization determined there is not a material right performance obligation for the daily option to renew the contract as the price of the renewal is a price consistent with the rate charged to other residents. Because the Organization's performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption 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.

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 FASB 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)

Resident Services Revenue and Consulting Income (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, 2023 and 2022 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 January 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)

Resident Services Revenue and Consulting Income (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 requests 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, 2023 and 2022.

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, 2023 and 2022, a reduction of revenue of $2,991,894 and $2,601,714, 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.

Note 2: Summary of Significant Accounting Policies (Continued)

Resident Services Revenue and Consulting Income (Continued)

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.

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 $322,547 and $186,992 for the years ended December 31, 2023 and 2022, respectively.

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.

Adoption of Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 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 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 was delayed in 2019 and was effective for fiscal years beginning after December 15, 2022. Implementation of this new standard had no significant impact on financial reporting for the year ended December 31, 2023.

Subsequent Events

Subsequent events have been evaluated through the date of the independent auditor's report, the date the financial statements were issued.

Note 3: Revenue Composition and Disaggregation

The composition of residential services revenue by primary payors for the years ended December 31, 2023 and 2022 are as follows:

Years ended December 31,	2023	% of Revenue	2022	% of Revenue
Medi-Cal	$ 5,609,904	34 %	$ 5,226,992	35 %
Medicare	2,233,418	14 %	2,089,479	15 %
Managed care	508,911	3 %	334,328	2 %
Commercial insurers	292,803	2 %	174,951	1 %
Private - skilled nursing	3,385,952	21 %	2,489,417	18 %
Private - independent living	912,504	6 %	859,204	6 %
Private - assisted living	3,107,525	19 %	3,086,564	22 %
Other	89,331	1 %	93,624	1 %
Total	$ 16,140,348	100 %	$ 14,354,559	100 %

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, 2023 and 2022 are as follows:

	2023				
Year ended December 31,	Independent Living	Assisted Living	Skilled Nursing	Other	Total
Services Area					
Medical services	$ -	$ -	$ 12,004,646	$ -	$ 12,004,646
Non-medical services	1,884,536	3,152,411	-	54	5,037,001
Other	339	213	-	262,598	263,150
	$ 1,884,875	$ 3,152,624	$ 12,004,646	$ 262,652	$ 17,304,797
Timing of Revenue Recognition					
Resident and other services transferred over time	$ 1,827,044	$ 3,116,335	$ 12,004,646	$ -	$ 16,948,025
Various other revenue earned at point in time	57,831	36,289	-	262,652	356,772
	$ 1,884,875	$ 3,152,624	$ 12,004,646	$ 262,652	$ 17,304,797

Note 3: Revenue Composition and Disaggregation (Continued)

	2022				
Year ended December 31,	Independent Living	Assisted Living	Skilled Nursing	Other	Total
Services Area					
Medical services	$ -	$ -	$ 10,324,585	$ -	$ 10,324,585
Non-medical services	1,705,102	3,119,445	-	349	4,824,896
Long-term care facility consulting	-	-	-	271,468	271,468
Other	460	289	-	237,966	238,715
	$ 1,705,562	$ 3,119,734	$ 10,324,585	$ 509,783	$ 15,659,664
Timing of Revenue Recognition					
Resident and other services transferred over time	$ 1,662,209	$ 3,092,530	$ 10,324,585	$ 271,468	$ 15,350,792
Various other revenue earned at point in time	43,353	27,204	-	238,315	308,872
	$ 1,705,562	$ 3,119,734	$ 10,324,585	$ 509,783	$ 15,659,664

Note 4: Occupancy Percentages

For the years ended December 31, 2023 and 2022, the occupancy percentages of the Organization were as follows:

Years ended December 31,	2023	2022
Health center (including Wiebe Center)	88.1 %	78.5 %
Assisted living (including memory care)	80.8 %	80.6 %
Independent living apartments	95.1 %	88.1 %

The total census for the Health Center by source of payment at December 31, 2023 and 2022, is as follows:

	2023		2022	
As of December 31,	Days	Percentage	Days	Percentage
Medicare and HMO	3,634	9.7 %	3,739	10.8 %
Medi-Cal	23,033	61.7 %	22,063	63.9 %
Private and other	10,699	28.6 %	8,728	25.3 %
	37,366	100.0 %	34,530	100.0 %

Note 5: 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, 2023 and 2022, comprise the following.

As of December 31,	2023	2022
Cash and cash equivalents	$ 290,282	$ 1,588,950
Accounts receivable resident, net of allowance	2,158,650	1,485,366
Accounts receivable consulting, net of allowance	-	6,553
Accounts receivable other	3,359,983	29,149
Residents funds	22,457	22,352
Debt service funds	297,474	287,061
Board designated emergency fund	1,162,725	996,019
Chapel fund – resident designated funds	5,423	7,416
Total Financial Assets	7,296,994	4,422,866
Less: Resident funds	(22,457)	(22,352)
Less: Chapel fund	(5,423)	(7,416)
Less: Debt service funds	(297,474)	(287,061)
Less: General renovations and equipment for independent and assisted living units and skilled nursing facility	(496,000)	(481,000)
Less: Board designated emergency fund	(1,162,725)	(996,019)
Financial assets available to meet general expenditures over the next twelve months	$ 5,312,915	$ 2,629,018

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 compensating balance requirement and interest arrangement was terminated in August 2023. The Organization's operating revenue covers its ongoing, operating expenditures and it is expected to be available to meet cash needs. 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 9.

Note 6: Assets Limited As To Use

The composition of assets limited as to use at December 31, 2023 and 2022, is as follows:

As of December 31,	2023	2022
Debt service funds	$ 297,474	$ 287,061
Emergency fund - board designated	1,162,725	996,019
Chapel fund - board designated	5,423	7,416
Resident funds	22,457	22,352
Total	$ 1,488,079	$ 1,312,848

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 7: 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.

Note 7: Fair Value Measurements (Continued)

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 consist of interest-bearing cash accounts and certificates of deposit that mature within one year and the amount reflected on the consolidated statements of financial position approximate fair values.

Investment income (loss), net is comprised of the following for the years ended December 31, 2023 and 2022:

Years ended December 31,	2023	2022
Interest income	$ 60,319	$ 50,879
Unrealized gains (losses)	140,722	(219,915)
Investment expense	(6,546)	(6,470)
Investment income (loss), net	$ 194,495	$ (175,506)

Fair values of investments measured on a recurring basis consist of the following at December 31, 2023:

As of December 31, 2023	Level I	Level II	Level III	Total
Short-term investments	$ 297,474	$ -	$ -	$ 297,474

Fair values of investments measured on a recurring basis consist of the following at December 31, 2022:

As of December 31, 2022	Level I	Level II	Level III	Total
Short-term investments	$ 1,827,633	$ -	$ -	$ 1,827,633

Note 7: Fair Value Measurements (Continued)

A reconciliation of short-term investments to the consolidated statements of financial position is as follows:

As of December 31,	2023	2022
Cash and cash equivalents per consolidated statements of financial position	$ 290,282	$ 1,588,950
Less: Non-interest bearing cash	(290,282)	(48,378)
Plus: Short-term investments included in ALATU in consolidated statements of financial position	297,474	287,061
Total short-term investments at fair value	$ 297,474	$ 1,827,633

Investments Measured Using the Net Asset Value per Share Practical Expedient

Based on the terms and conditions in effect at December 31, 2023, 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	$ 1,162,725	0	See (a) below	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
49% Russell 3000 Index
21% MSCI All Country World ex Index (Net)

Based on the terms and conditions in effect at December 31, 2022, 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	$ 996,019	0	See (a) below	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
49% Russell 3000 index
21% MSCI All Country World ex Index (Net)

Note 8: Line of Credit

The Organization had a $500,000 line-of-credit agreement dated February 4, 2016, with Bank of the Sierra. Principal borrowings under the line-of-credit were payable February 4, 2023. Interest was 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, 2022 was 8.375%. The line-of-credit was secured by all assets of the Organization. At December 31, 2022, the Organization had no borrowings under this agreement. The line-of-credit agreement expired in February 2023 and was not renewed.

The Organization has a $750,000 line-of-credit agreement dated December 18, 2023, with Bank of the Sierra. Principal borrowings under the line-of-credit are payable December 18, 2024. Interest was payable monthly at the Bank's Prime rate, plus 2.00%, with a minimum rate of 10.49%. The effective interest rate at December 31, 2023, was 10.50%. The line-of-credit was secured by all assets of the Organization. At December 31, 2023, the Organization had no borrowings under this agreement.

Note 9: Long-Term Debt

Long-term debt consisted of the following at December 31, 2023 and 2022:

As of December 31,	2023	2022
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, 2023 and 2022, the interest rate was 3.87% and 3.66%, respectively.	$ 2,220,000	$ 2,905,000
Less: Current maturities	(710,000)	(685,000)
Less: Deferred financing costs, net	(90,815)	(128,107)
Total long-term debt	$ 1,419,185	$ 2,091,893

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

Years ended December 31,	
2024	$ 710,000
2025	740,000
2026	770,000
Total	$ 2,220,000

Note 9: Long-Term Debt (Continued)

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 held an irrevocable letter of credit with the bond trustee that ended during the year ended December 31, 2022, and holds 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 was extended to August 2024. 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, including minimum debt service coverage, minimum net assets without donor restrictions, and cash reserve held in trust.

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 $595,071 and $557,779, at December 31, 2023 and 2022, respectively. Total amortization expense related to financing costs was $37,292 and $37,292 for December 31, 2023 and 2022, respectively.

Note 10: Net Assets

Net assets with donor restrictions were as follows as of December 31, 2023 and 2022:

As of December 31,	2023	2022
Specific Purpose		
Improvements to Health Care Center	$ 30,000	$ 30,000
Total	$ 30,000	$ 30,000

Net assets with restrictions are released by incurring expenditures satisfying the donor restricted purposes or time requirements. There were no assets released from restrictions during the years ended December 31, 2023 and 2022.

Note 11: 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, 2023 and 2022, respectively. Peer Services paid $-0 and $904 of federal and state income tax in 2023 and 2022, respectively.

The Organization follows FASB 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, 2023 and 2022.

Note 12: 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 13: Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to possible credit risk consist principally of accounts receivable and cash deposits in excess of insured limits in financial institutions.

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 payor agreements. The mix of receivables from residents and third-party payors at December 31, 2023 and 2022, is as follows:

As of December 31,	2023	2022
Medicare	42%	31%
Medi-Cal	32%	33%
Private	19%	28%
Other	7%	8%
Total	100%	100%

The above table excludes the Other Accounts Receivable related to the Employee Retention Credit. See Note 17 for more information.

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, 2023 and 2022, the Organization's cash balances may have exceeded the federally insured limit.

Note 14: 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, 2023 and 2022, the accrual for medical and dental claims incurred but not reported was $119,427 and $62,567, respectively, and is recorded in other current liabilities in the consolidated statements of financial position.

Note 14: Contingencies and Commitments (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 $269,000 and $223,000 was included in other benefits on the consolidated statements of functional expenses for the years ended December 31, 2023 and 2022, 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, 2023. In May 2022, a dividend check for $105,512 was received from the broker for HealthCap for the professional liability insurance program and is included in other support and revenue on the consolidated statements of activities for the year ended December 31, 2022.

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. There were no receivables from excess premiums paid as of the years ended December 31, 2023 and 2022, respectively. There are no estimated future claims for incurred incidents as of December 31, 2023 and 2022. Workers' compensation insurance expense for the years ended December 31, 2023 and 2022 totaled $818,336 and $717,690, respectively, and is included in other benefits on the consolidated statements of functional expenses. In April 2023 and May 2022, dividend checks for $211,601 and $116,356 were received from Guardian Comp for the worker's compensation insurance program and are included in other support and revenue on the consolidated statements of activities for the years ended December 31, 2023 and 2022, respectively.

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.

Note 14: Contingencies and Commitments (Continued)

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.

Liquid Reserve

The organization is subject to the liquid reserve requirements as part of complying with California Health and Safety Code section 1792. The liquid reserve requirement is met when qualifying assets are sufficient to meet or exceed the Organization's debt service reserve and operating expense reserve, as defined. The Company's liquid reserve had a deficiency of $154,100 at December 31, 2023. No deficiency was noted at December 31, 2022.

Peer Services Limited Guaranty and Security Agreement

In October 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 matured 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 also personally guaranteed this debt. Palm Village is not a guarantor.

Note 15: 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, 2023 and 2022, the Organization expended approximately $701,626 and $469,882, respectively, for construction costs for its various facilities. Projects are funded by notes payable and net assets without donor restrictions. The board has also designated $517,646 and $454,567 as of December 31, 2023 and 2022, respectively, to be available for potential future contingencies.

Note 16: 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 April 4, 2021, the Organization received loan proceeds from the PPP in the amount of $56,382 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.

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 satisfy the requirements for loan forgiveness. The Organization submitted applications for forgiveness of the entire amount of the PPP loans with its lenders, and on August 31, 2022 the Company received notification from its banks that the principal balance of $56,382 was forgiven by the SBA. As a result, the Organization recognized the forgiveness of the PPP loan in other income in the accompanying consolidated statements of activities for the year ended December 31, 2022.

Note 17: Employee Retention Credit (ERC)

The CARES Act also provided for refundable payroll tax credits known as the Employee Retention Credit (ERC). The ERC allows qualified employers to receive a credit for employee qualified wages and related payroll costs. The Organization has elected to treat these credits as grant income. During the year ended December 31, 2023, management recorded a receivable of $3,359,983. As a result, the full amount due under the ERC was recognized in the consolidated statement of activities for the year ended December 31, 2023.

Laws and regulations concerning government programs, including the ERC, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact, if any, this would have upon the Organization.

Note 18: Provider Relief Funds

During 2021, the Organization received $283,088 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.

Note 18: Provider Relief Funds (Continued)

The Organization has accounted for the HHS PRFs as a conditional contribution. Contribution revenues of $145,336 are included in other income in the accompanying consolidated statements of activities for the years ended December 31, 2022, and was recognized based on incurring qualifying expenses and lost revenue through December 31, 2022, that management believes met the terms and conditions of the HHS PRF program. The remainder was previously recognized during the year ended December 31, 2021. Management considers reporting that is required under the program to be an administrative task and, therefore, not a condition.

Note 19: Risks and Uncertainties

The Organization's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the combined financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes.

Note 20: Consolidated Statement of Cash Flows

The following table provides a reconciliation of cash and cash equivalents and restricted cash 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, 2023 and 2022:

As of December 31,	2023	2022
Cash and cash equivalents:	$ 290,282	$ 1,588,950
Included in assets limited as to use (restricted):		
Interest-bearing cash	297,474	287,061
Non-interest-bearing cash	5,423	7,416
Non-interest-bearing cash	22,457	22,352
Total cash and cash equivalents and restricted cash shown on the consolidated statements of cash flows	$ 615,636	$ 1,905,779

Non-cash financing activities include forgiveness of PPP loans totaling $56,382 for the year ended December 31, 2022.

Note 21: Discontinued Operations

In March 2023, Peer Services began winding down its operations and all consulting services ceased. The activity for Peer Services qualifies as discontinued operations and, accordingly, Peer Services' results of operations are excluded from continuing operations in the consolidated statements of activities.

Note 21: Discontinued Operations (Continued)

Assets related to Peer Services included in the consolidated statements of financial position as of December 31, 2023 and 2022 are as follows:

	2023	2022
Cash	$ -	$ 50,551
Accounts receivable consulting, net	-	14,932
Accounts receivable other	-	10,602
Prepaid expenses	10,227	145,228
Fixed assets, net	-	7,257
Total	$ 10,227	$ 228,570

Liabilities related to Peer Services included in the consolidated statements of financial position as of December 31, 2023 and 2022 are as follows:

	2023	2022
Accounts payable	$ 40,662	$ 78,681
Accrued salaries, payroll taxes, and benefits	78,367	128,701
Other current liabilities	20,000	-
Total	$ 139,029	$ 207,382

The following table shows the breakout of the changes in net assets from discontinued operations for Peer Services in the consolidated statements of activities for the years ended December 31, 2023 and 2022:

	2023	2022
Consulting income	$ -	$ 271,468
Less expenses:		
Bad debt	(14,933)	(147,953)
Dues and subscriptions	(2,240)	(7,205)
Insurance	(246,698)	(158,361)
Advertising	(708)	(1,959)
Miscellaneous	(648)	(2,193)
Postage	(137)	(938)
Professional services	(89,093)	(135,316)
Salaries, wages, and benefits	(46,765)	(268,506)
Supplies	(3,219)	(6,689)
Total	$ (404,441)	$ (457,652)

Note 22: 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.