

**MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2025 AND 2024



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MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mennonite Brethren Homes, Inc.
dba: Palm Village Retirement Community
Reedley, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mennonite Brethren Homes, Inc. dba: Palm Village Retirement Community (a California nonprofit corporation), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mennonite Brethren Homes, Inc. dba: Palm Village Retirement Community as of December 31, 2025 and 2024, and the results of its operations, 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 of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mennonite Brethren Homes, Inc. dba: Palm Village Retirement Community 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 Financial Statements

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

In preparing the 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's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Mennonite Brethren Homes, Inc.
dba: Palm Village Retirement Community

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mennonite Brethren Homes, Inc. dba: 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 evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mennonite Brethren Homes, Inc. dba: 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.



CliftonLarsonAllen LLP

Bellevue, Washington
April 27, 2026

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

ASSETS

	2025	2024
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,356,168	\$ 544,784
Accounts Receivable:		
Resident, Net	1,151,932	1,272,850
Current Portion of Employee Retention Credit Receivable	1,142,419	2,217,564
Investment	1,464,681	1,281,326
Prepaid Expenses	335,592	302,065
Supplies and Inventory	33,426	27,460
Current Portion of Assets Limited as to Use	26,137	28,388
Total Current Assets	6,510,355	5,674,437
 ASSETS LIMITED AS TO USE		
Under Indenture Agreement, Held for Debt Services	322,275	309,781
Chapel Fund - Resident Use	8,792	3,166
Resident Funds	17,345	25,222
Total	348,412	338,169
Less: Current Portion Shown Above	(26,137)	(28,388)
Assets Limited as to Use, Net of Current Portion	322,275	309,781
 EMPLOYEE RETENTION CREDIT RECEIVABLE, NET OF CURRENT PORTION	-	1,142,419
 FIXED ASSETS		
Land	998,567	998,567
Buildings and Improvements	25,926,403	25,035,876
Furniture and Equipment	5,119,281	4,957,797
Vehicles	233,230	233,230
Total	32,277,481	31,305,470
Less: Accumulated Depreciation	(22,229,255)	(21,281,017)
Fixed Assets, Net	10,048,226	10,024,453
 Total Assets	 \$ 16,880,856	 \$ 17,151,090

See accompanying Notes to Financial Statements.

MENNONITE BRETHERN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2025 AND 2024

LIABILITIES AND NET ASSETS

	2025	2024
CURRENT LIABILITIES		
Accounts Payable	\$ 531,006	\$ 715,607
Accrued Salaries, Payroll Taxes, and Benefits	780,531	830,270
Resident Deposits	14,000	268,000
Current Maturities of Bonds Payable, Less Deferred Financing Costs	753,768	740,000
Other Current Liabilities	256,770	312,464
Total Current Liabilities	2,336,075	2,923,112
LONG-TERM LIABILITIES		
Bonds Payable, Less Current Portion and Deferred Financing Costs	-	716,477
Refundable Accommodation Fees	2,552,600	2,928,074
Deferred Revenue from Accommodation Fees	3,135,042	2,648,324
Total Other Liabilities	5,687,642	6,292,875
Total Liabilities	8,023,717	9,215,987
NET ASSETS		
Without Donor Restrictions	8,647,983	7,905,103
With Donor Restrictions	209,156	30,000
Total Net Assets	8,857,139	7,935,103
Total Liabilities and Net Assets	\$ 16,880,856	\$ 17,151,090

See accompanying Notes to Financial Statements.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
STATEMENT OF ACTIVITIES
DECEMBER 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Resident Services	\$ 17,667,485	\$ -	\$ 17,667,485
Accommodation Fees	1,184,321	-	1,184,321
Other	16,232	-	16,232
Total Revenue, Support, and Gains	18,868,038	-	18,868,038
OPERATING EXPENSES			
Palm Village Retirement Community			
Program Services	17,289,987	-	17,289,987
Supporting Services:			
Management and General	1,911,695	-	1,911,695
Fundraising	32,714	-	32,714
Total Supporting Services	1,944,409	-	1,944,409
Total Operating Expenses	19,234,396	-	19,234,396
CHANGES IN NET ASSETS FROM OPERATIONS	(366,358)	-	(366,358)
OTHER INCOME			
Investment Income, Net	756,710	-	756,710
Contributions	341,162	179,156	520,318
Other Income	11,366	-	11,366
Total Other Income	1,109,238	179,156	1,288,394
CHANGES IN NET ASSETS	742,880	179,156	922,036
Net Assets - Beginning of Year	7,905,103	30,000	7,935,103
NET ASSETS - END OF YEAR	\$ 8,647,983	\$ 209,156	\$ 8,857,139

See accompanying Notes to Financial Statements.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
STATEMENT OF ACTIVITIES
DECEMBER 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Resident Services	\$ 16,955,424	\$ -	\$ 16,955,424
Accommodation Fees	1,316,257	-	1,316,257
Other	67,186	-	67,186
Total Revenue, Support, and Gains	<u>18,338,867</u>	<u>-</u>	<u>18,338,867</u>
OPERATING EXPENSES			
Palm Village Retirement Community			
Program Services	16,903,883	-	16,903,883
Supporting Services:			
Management and General	1,878,148	-	1,878,148
Fundraising	40,085	-	40,085
Total Supporting Services	<u>1,918,233</u>	<u>-</u>	<u>1,918,233</u>
Total Operating Expenses	<u>18,822,116</u>	<u>-</u>	<u>18,822,116</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(483,249)	-	(483,249)
OTHER INCOME			
Investment Income, Net	125,061	-	125,061
Contributions	226,500	-	226,500
Other Income	2,105	-	2,105
Total Other Income	<u>353,666</u>	<u>-</u>	<u>353,666</u>
CHANGES IN NET ASSETS	(129,583)	-	(129,583)
Net Assets - Beginning of Year	<u>8,034,686</u>	<u>30,000</u>	<u>8,064,686</u>
NET ASSETS - END OF YEAR	<u>\$ 7,905,103</u>	<u>\$ 30,000</u>	<u>\$ 7,935,103</u>

See accompanying Notes to Financial Statements.

MENNONITE BRETHERN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025

	Program Services	Management and General	Fundraising	Total
Accounting	\$ -	\$ 79,420	\$ -	\$ 79,420
Advertising and Marketing	22,262	-	9,541	31,803
Credit Losses	-	126,879	-	126,879
Creative	16,241	2,427	-	18,668
Depreciation	901,869	46,369	-	948,238
Dues and Subscriptions	87,581	-	-	87,581
Education	40,489	-	-	40,489
Food	1,038,828	-	-	1,038,828
Fundraising Costs	-	-	11,303	11,303
Insurance	637,838	32,794	-	670,632
Interest	78,238	4,023	-	82,261
Legal	34,449	-	-	34,449
Licenses and Taxes	139,481	-	-	139,481
Minor Equipment	34,720	-	-	34,720
Miscellaneous	74,066	-	-	74,066
Occupancy and Utilities	999,111	51,368	-	1,050,479
Other Benefits	1,316,293	196,687	-	1,512,980
Payroll Taxes	686,276	102,547	-	788,823
Postage	8,516	-	3,650	12,166
Printing and Publication	19,180	-	8,220	27,400
Professional Services	1,533,158	229,093	-	1,762,251
Repairs and Maintenance	156,719	8,058	-	164,777
Salaries and Wages	8,555,235	906,983	-	9,462,218
Security	72,585	-	-	72,585
Supplies	759,980	113,560	-	873,540
Telephone	22,845	3,414	-	26,259
Travel	54,027	8,073	-	62,100
Total Expenses by Function	\$ 17,289,987	\$ 1,911,695	\$ 32,714	\$ 19,234,396

See accompanying Notes to Financial Statements.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program Services	Management and General	Fundraising	Total
Accounting	\$ -	\$ 86,169	\$ -	\$ 86,169
Advertising and Marketing	26,202	-	11,229	37,431
Credit Losses	-	106,894	-	106,894
Covid-19 Related Expenses	480	-	-	480
Creative	11,853	1,771	-	13,624
Depreciation	881,342	45,313	-	926,655
Dues and Subscriptions	85,379	-	-	85,379
Education	32,586	-	-	32,586
Food	948,769	-	-	948,769
Fundraising Costs	-	-	17,334	17,334
Insurance	578,623	29,749	-	608,372
Interest	106,308	5,466	-	111,774
Legal	68,839	-	-	68,839
Licenses and Taxes	136,428	-	-	136,428
Minor Equipment	53,120	-	-	53,120
Miscellaneous	31,207	-	-	31,207
Occupancy and Utilities	1,020,908	52,489	-	1,073,397
Other Benefits	1,391,190	207,879	-	1,599,069
Payroll Taxes	686,983	102,653	-	789,636
Postage	10,456	-	4,481	14,937
Printing and Publication	16,428	-	7,041	23,469
Professional Services	1,255,559	187,612	-	1,443,171
Repairs and Maintenance	241,479	12,415	-	253,894
Salaries and Wages	8,313,731	906,983	-	9,220,714
Security	117,576	-	-	117,576
Supplies	822,880	122,959	-	945,839
Telephone	21,307	3,184	-	24,491
Travel	44,250	6,612	-	50,862
Total Expenses by Function	\$ 16,903,883	\$ 1,878,148	\$ 40,085	\$ 18,822,116

See accompanying Notes to Financial Statements.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Residents	\$ 21,063,764	\$ 19,165,428
Cash Paid to Suppliers and Employees	(17,857,736)	(17,488,597)
Interest Received	77,470	40,231
Contributions Received	341,162	226,500
Interest Paid	(34,251)	(68,500)
Net Cash Provided by Operating Activities	3,590,409	1,875,062
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Property and Equipment	(972,011)	(954,516)
Net Cash Used by Investing Activities	(972,011)	(954,516)
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws (Payments) on Line of Credit, Net	(56,771)	56,771
Principal Payment on Long-Term Debt	(740,000)	(710,000)
Net Cash Used by Financing Activities	(796,771)	(653,229)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,821,627	267,317
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	882,953	615,636
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 2,704,580	\$ 882,953
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 922,036	\$ (129,583)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	948,238	926,655
Amortization of Deferred Financing Costs	37,291	37,292
Allowance for Credit Losses	(60,969)	66,383
Interest and Dividend Reinvestment	(77,470)	(40,231)
Unrealized Gains	(105,885)	(78,370)
Amortization of Accommodation Fees	(1,184,321)	(1,316,257)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	181,887	871,534
Employee Retention Credit Receivable	2,217,564	-
Prepaid Expenses	(33,527)	(9,573)
Supplies Inventory	(5,966)	2,120
Accounts Payable	(184,601)	75,706
Accrued Salaries, Payroll Taxes, and Benefits	(49,739)	135,746
Accommodation Fee Deposits	(254,000)	224,000
Deferred Revenue	-	(400,134)
Other Current Liabilities	(55,694)	128,739
Refundable Accommodation Fees	(202,435)	(82,253)
Deferred Revenue from Accommodation Fees	1,498,000	1,463,288
Net Cash Provided by Operating Activities	\$ 3,590,409	\$ 1,875,062

**MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Mennonite Brethren Homes, Inc. dba: Palm Village Retirement Community (the Organization) is a nonprofit 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.

Basis of Accounting

The 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 of America (U.S. GAAP).

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:

	2025	2024
Chapel Fund - Resident Use	\$ 8,792	3,166
Total Board-Restricted Net Assets	\$ 8,792	\$ 3,166

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, 2025 and 2024.

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 statement of activities as net assets released from restrictions.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation of Net Assets (Continued)

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 financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

Accounts Receivable

Resident accounts receivable represents amounts due from residents and third-party payors such as Medi-Cal and Medicare for services provided. Medi-Cal and Medicare represent the Organization's most significant third-party payors. The Organization provides an allowance for credit losses based on historical collection trends, management judgment, existing economic conditions, and certain forward-looking information. 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 credit loss expense. Recoveries of receivables previously written off are recognized as income in the period received. The allowance for credit losses was \$28,174 and \$89,143 as of December 31, 2025 and 2024, respectively.

See Note 15 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.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 to 50 Years
Furniture and Equipment	5 to 10 Years
Vehicles	5 Years

Depreciation expense for the years ended December 31, 2025 and 2024 was \$948,238 and \$926,655, respectively.

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 2025 and 2024.

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 \$17,345 and \$25,222 at December 31, 2025 and 2024, 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 statement of financial position approximates fair value.

MENNONITE BRETHERN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of financial position.

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.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accommodation Fees (Continued)

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 statement 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 2025 and 2024.

The Organization has elected the practical expedient in which lease and nonlease components within its life contracts are recognized as one combined component with a single performance obligation under FASB ASC 606, as the nonlease 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 nonrefundable. There were 6 and 3 contracts on a 72-month schedule for the year ended December 31, 2025 and 2024, 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 41 and 44 contracts on a 50-month schedule for the year ended December 31, 2025 and 2024, respectively.

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NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accommodation Fees (Continued)

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 38 and 32 contracts on a 36-month schedule for the year ended December 31, 2025 and 2024, 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 nonrefundable at the rate of 2.78%, 2% or 1.38% per month, depending on whether a 36-month, 50-month or 72-month contract was signed, respectively, and becomes fully nonrefundable upon the end of the respective contract's refundable period. The total refundable accommodation fees for all contract types not yet earned was \$2,566,600 and \$2,928,074 as of December 31, 2025 and 2024, respectively.

Accommodation fees are recorded as deferred revenue upon receipt and are amortized into accommodation fees revenue on the statement 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.

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

1. 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.
2. 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.

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NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Performance Indicator

The statement of operations and changes in net assets presents the Organization's changes in net assets without donor restrictions. Changes in net assets that are excluded from this performance indicator, consistent with industry practices, include net assets released from restrictions for capital purposes.

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, 2025 and 2024 were \$14,000 and \$8,000, respectively, and are included in resident deposits in the accompanying statement of financial position.

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 statement of financial position as a direct deduction from the carrying amount of the debt liability and the amortization of deferred financing costs is reported as interest expense.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was \$71,450 and \$70,942 for the year ended December 31, 2025 and 2024, respectively.

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NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The nature of operations of the Organization 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 statement of functional expenses.

The costs of providing program and supporting services for the Organization 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 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 statement of activities, which include interest income, dividend income, unrealized and realized gain or loss less any investment expense.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to Palm Village's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP. Contributed goods are recorded at fair value at the date of donation. Palm Village records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended December 31, 2025 and 2024.

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NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue

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

Performance obligations are determined based on the nature of the 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.

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NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

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

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

Medicare – Certain in-resident post-acute care services are paid at prospectively determined rates per service based on clinical, diagnostic, and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. The licensed nursing facility which participated in the Medicare program for the years ended December 31, 2025 and 2024 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 based on the timeline of publishing rates from the government or by field audit. In such cases, management estimates revenues at net realizable value accordingly.

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.

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NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

Laws and regulations concerning government programs, including Medicare and Medi-Cal, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received 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, 2025 and 2024.

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. 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.

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NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (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 \$373,497 and \$261,833 for the years ended December 31, 2025 and 2024, 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.

Subsequent Events

Subsequent events have been evaluated through April 27, 2026, the date the financial statements were available to be issued.

NOTE 2 REVENUE COMPOSITION AND DISAGGREGATION

The composition of residential services revenue by primary payors for the years ended December 31 consisted of the following:

	2025	Percent of Revenue	2024	Percent of Revenue
Medi-Cal	\$ 7,356,446	41 %	\$ 6,767,939	40 %
Medicare	1,439,463	8	1,785,250	11
Managed Care	530,466	3	597,768	3
Commercial Insurers	302,745	2	209,940	1
Private - Skilled Nursing	3,283,835	19	3,220,037	19
Private - Independent Living	1,103,366	6	1,021,811	6
Private - Assisted Living	3,507,838	20	3,224,604	19
Other	143,326	1	128,075	1
Total	<u>\$ 17,667,485</u>	<u>100 %</u>	<u>\$ 16,955,424</u>	<u>100 %</u>

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

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NOTE 2 REVENUE COMPOSITION AND DISAGGREGATION (CONTINUED)

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 consisted of the following:

	2025				Total
	Independent Living	Assisted Living	Skilled Nursing	Other	
Services Area:					
Medical Services	\$ -	\$ -	\$ 12,725,535	\$ 181,335	\$ 12,906,870
Nonmedical Services	2,287,687	3,507,838	-	149,411	5,944,936
Other	-	-	-	16,232	16,232
Total	<u>\$ 2,287,687</u>	<u>\$ 3,507,838</u>	<u>\$ 12,725,535</u>	<u>\$ 346,978</u>	<u>\$ 18,868,038</u>
Timing of Revenue Recognition:					
Resident and Other Services					
Transferred Over Time	\$ 2,287,687	\$ 3,507,838	\$ 12,725,535	\$ -	\$ 18,521,060
Various Other Revenue					
Earned at a Point in Time	-	-	-	346,978	346,978
Total	<u>\$ 2,287,687</u>	<u>\$ 3,507,838</u>	<u>\$ 12,725,535</u>	<u>\$ 346,978</u>	<u>\$ 18,868,038</u>
	2024				Total
	Independent Living	Assisted Living	Skilled Nursing	Other	
Services Area:					
Medical Services	\$ -	\$ -	\$ 12,330,627	\$ 230,627	\$ 12,561,254
Nonmedical Services	2,338,068	3,224,605	-	147,754	5,710,427
Other	-	-	-	67,186	67,186
Total	<u>\$ 2,338,068</u>	<u>\$ 3,224,605</u>	<u>\$ 12,330,627</u>	<u>\$ 445,567</u>	<u>\$ 18,338,867</u>
Timing of Revenue Recognition:					
Resident and Other Services					
Transferred Over Time	\$ 2,338,068	\$ 3,224,605	\$ 12,330,627	\$ -	\$ 17,893,300
Various Other Revenue					
Earned at a Point in Time	-	-	-	445,567	445,567
Total	<u>\$ 2,338,068</u>	<u>\$ 3,224,605</u>	<u>\$ 12,330,627</u>	<u>\$ 445,567</u>	<u>\$ 18,338,867</u>

The beginning and end of year contract assets and liabilities balances are as follows:

	Deferred Revenue	Accounts Receivable
Balance - December 31, 2023	\$ 2,235,699	\$ 2,210,767
Balance - December 31, 2024	\$ 2,648,324	\$ 1,272,850
Balance - December 31, 2025	\$ 3,135,042	\$ 1,151,932

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NOTE 3 OCCUPANCY PERCENTAGES

For the year ended December 31 the average occupancy percentages of the Organization were as follows:

	<u>2025</u>	<u>2024</u>
Health Center (Including Wiebe Center)	96.5 %	94.0 %
Assisted Living (Including Memory Care)	88.7	87.4
Independent Living Apartments	96.6	93.7

The total census for the Health Center by source of payment for the years ended December 31 were as follows:

	<u>2025</u>		<u>2024</u>	
	Days	Percentage	Days	Percentage
Medicare and HMO	2,456	5.8 %	3,357	8.1 %
Medi-Cal	30,037	71.0	27,624	66.5
Private and Other	9,791	23.2	10,526	25.4
Total	<u>42,284</u>	<u>100 %</u>	<u>41,507</u>	<u>100 %</u>

NOTE 4 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, as well as reductions for donor restrictions and Board designations, within one year of the statement of financial position as of December 31 comprise the following.

	<u>2025</u>	<u>2024</u>
Cash and Cash Equivalents	\$ 2,356,168	\$ 544,784
Accounts Receivable - Resident, Net of Allowance	1,151,932	1,272,850
Accounts Receivable - Other	1,142,419	2,217,564
Residents Funds	17,345	25,222
Debt Service Funds	322,275	309,781
Investment	1,464,681	1,281,326
Chapel Fund - Resident-Designated Funds	<u>8,792</u>	<u>3,166</u>
Total Financial Assets	6,463,612	5,654,693
Less:		
Resident Funds	(17,345)	(25,222)
Chapel Fund	(8,792)	(3,166)
Debt Service Funds	(322,275)	(309,781)
General Renovations and Equipment for Independent and Assisted Living Units and Skilled Nursing Facility	<u>(510,042)</u>	<u>(537,027)</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 5,605,158</u>	<u>\$ 4,779,497</u>

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NOTE 4 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Organization’s operating revenue covers its ongoing operating expenditures, and it is expected to be available to meet cash needs.

The Organization maintains a \$750,000 line-of-credit agreement, available through July 18, 2026, to meet short-term cash needs (see Note 7).

In addition, the Organization holds an irrevocable letter of credit with the bond trustee and an irrevocable standby letter of credit with the Federal Home Loan Bank of San Francisco, each in the amount of \$12,085,000, representing the face amount of the bonds, as discussed in Note 8.

NOTE 5 ASSETS LIMITED AS TO USE

The composition of assets limited as to use at December 31 were as follows:

	2025	2024
Debt Service Funds	\$ 322,275	\$ 309,781
Chapel Fund - Board-Designated	8,792	3,166
Resident Funds	17,345	25,222
Total Board-Restricted Net Assets	\$ 348,412	\$ 338,169

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 6 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 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – 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 2 – 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 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

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

Short-Term Investments – Short-term investments consist of interest-bearing cash accounts and certificates of deposit that mature within one year and the amount reflected on the statement of financial position approximate fair values.

Investment income, net is comprised of the following for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Interest Income	\$ 77,470	\$ 40,231
Interest Income ERC (see Note 15)	533,383	-
Unrealized Gains	153,793	92,178
Investment Expense	(7,936)	(7,348)
Investment Income, Net	<u>\$ 756,710</u>	<u>\$ 125,061</u>

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

	<u>2025</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-Term Investments	<u>\$ 322,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322,275</u>

	<u>2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-Term Investments	<u>\$ 309,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,781</u>

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NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

A reconciliation of short-term investments to the statements of financial position are as follows as of December 31:

	2025	2024
Cash and Cash Equivalents per Statement of Financial Position	\$ 2,356,168	\$ 544,784
Less: Noninterest-Bearing Cash	(2,356,168)	(544,784)
Plus: Short-Term Investments Included in ALATU in Statement of Financial Position	322,275	309,781
Total Board-Restricted Net Assets	\$ 322,275	\$ 309,781

Investments Measured Using the Net Asset Value per Share Practical Expedient

Based on the terms and conditions in effect at December 31, 2025, the Organization's investments valued at NAV are as follows:

Investment Type	Fair Value	Investment Strategy	Unfunded Commitment	Redemption Terms
BVI Growth Fund	\$ 1,464,681	*	-	Can Redeem With 3 to 5 Business Days Notification

* Outperform the return of the benchmark, which will be 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, 2024, the Organization's investments valued at NAV are as follows:

Investment Type	Fair Value	Investment Strategy	Unfunded Commitment	Redemption Terms
BVI Growth Fund	\$ 1,281,326	*	-	Can Redeem With 3 to 5 Business Days Notification

* Outperform the return of the benchmark, which will be 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)

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NOTE 7 LINE OF CREDIT

The Organization has a \$750,000 line-of-credit agreement dated May 8, 2025, with Bank of the Sierra. Principal borrowings under the line-of-credit are payable July 18, 2026. 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, 2025, was 10.49%. The line-of-credit was secured by all assets of the Organization. At December 31, 2025 and 2024, outstanding balance on the line of credit was \$-0- and \$56,771, respectively.

NOTE 8 LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	2025	2024
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. The interest rate was 2.88% and 3.65% at December 2025 and 2024, respectively.	\$ 770,000	\$ 1,510,000
Less: Current Maturities	-	(740,000)
Less: Deferred Financing Costs, Net	(16,232)	(53,523)
Total Long-Term Debt	\$ 753,768	\$ 716,477

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

Year Ending December 31,	Amount
2026	\$ 770,000

Certificates of Participation

In August 2005, Palm Village Retirement Community issued \$12,085,000 in Certificates of Participation, Series 2005 through the City of Reedley, California. The Certificates were issued to refinance the Certificates of Participation, Series 1996, to pay costs of issuance, to pay off personal notes and to provide funding for capital expenditures. In connection with the issuance of the Certificates, the Organization has pledged and granted a security interest in its gross revenues to the City of Reedley, California.

**MENNONITE BRETHERN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 LONG-TERM DEBT (CONTINUED)

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. Management believes the Organization is in compliance with all covenants.

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 \$669,654 and \$632,363, at December 31, 2025 and 2024 respectively. Total amortization expense related to financing costs was \$37,291 and \$37,292 for December 31, 2025 and 2024, respectively.

NOTE 9 NET ASSETS

Net assets with donor restrictions were as follows as of December 31:

	2025	2024
Subject to Expenditure for Specified Purpose:		
Improvements to Health Care Center	\$ 209,156	\$ 30,000
Total Net Assets With Donor Restrictions	\$ 209,156	\$ 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, 2025 and 2024.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 10 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 financial statements related to the activities of Palm Village.

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 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 year ended December 31, 2025.

NOTE 11 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 12 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 were as follows:

	2025	2024
Medicare	46 %	38 %
Medi-Cal	27	35
Private	3	13
Other	24	14
Total	100 %	100 %

The above table excludes the Other Accounts Receivable related to the Employee Retention Credit. See Note 15 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, 2025 and 2024, the Organization's cash balances may have exceeded the federally insured limit.

MENNONITE BRETHERN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 13 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, 2025 and 2024, the accrual for medical and dental claims incurred but not reported was \$77,444 and \$67,000 and are recorded in other current liabilities in the statement of financial position.

Self-Insurance Plan and Stop Loss Insurance (Continued)

The Organization has entered into a stop-loss agreement with an insurance company to limit its losses on individual claims. Under the terms of the agreement, the insurance company will reimburse the Organization 100% of the cost of annual claims, in excess of an \$85,000 aggregate deductible, up to \$1,000,000 each covered period. The loss limit is \$85,000 per individual. Stop-loss insurance premium of approximately \$246,000 and \$225,000 were included in other benefits on the statement of functional expenses for the years ended December 31, 2025 and 2024, 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, 2025 and 2024.

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, 2025 and 2024. There are no estimated future claims for incurred incidents as of December 31, 2025 and 2024. Workers' compensation insurance expense for the years ended December 31, 2025 and 2024 totaled \$411,192 and \$479,627, respectively, and are included in other benefits on the statement of functional expenses.

MENNONITE BRETHERN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 13 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Other

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes it has mitigated these risks and that such matters will not have a material or adverse effect on the financial condition or results of operation of the Organization.

Litigation

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

Affordable Care Act

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

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.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 14 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, 2025 and 2024, the Organization did not expend any funds for construction costs for its various facilities. Projects are funded by notes payable and net assets without donor restrictions.

NOTE 15 EMPLOYEE RETENTION CREDIT (ERC)

The CARES Act 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 statement of operations for the year ended December 31, 2023. In March 2025 and April 2025, the Organization collected all claims from second quarter 2020 through second quarter 2021, for total credits claimed of \$2,217,564 including interest of \$533,383 recorded in investment income in the statement of activities. In August 2024, the Organization received a letter from the IRS disallowing the claim for the ERC for the third quarter of 2021. The Organization has timely filed an appeal. In March 2026, the Organization received confirmation from the IRS that the appeal was approved and the ERC claim for the third quarter of 2021 was allowed.

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 16 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 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.

**MENNONITE BRETHREN HOMES, INC.
 DBA: PALM VILLAGE RETIREMENT COMMUNITY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2025 AND 2024**

NOTE 17 STATEMENT OF CASH FLOWS

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

	<u>2025</u>	<u>2024</u>
Cash and Cash Equivalents	\$ 2,356,168	\$ 544,784
Assets Limited as to Use (Restricted):		
Interest-Bearing Cash	322,275	309,781
Noninterest-Bearing Cash	8,792	3,166
Noninterest-Bearing Cash	<u>17,345</u>	<u>25,222</u>
Total Cash, Cash Equivalents, and Restricted Cash Shown on the Statements of Cash Flows	<u>\$ 2,704,580</u>	<u>\$ 882,953</u>



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Mennonite Brethren Homes, Inc.
dba: Palm Village Retirement Community
Reedley, California

We have audited the financial statements of Mennonite Brethren Homes, Inc. dba: Palm Village Retirement Community (a California nonprofit corporation), as of and for the year ended December 31, 2025, and our report thereon dated April 27, 2026, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2025 schedules of Form 5-1 through Form 5-5 are prepared for filing with the State of California, Department of Social Services, in accordance with Section 1792 of the California Health and Safety Code, and are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information and use of the members and management of the Organization and for filing with the State of California Department of Social Services and is not intended to be, and should not be, used by another other than those specified parties. However, this report is a matter of public record, and its distribution is not limited.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
April 27, 2026

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	8/1/2005	740,000	34,251		774,251
2					
3					
4					
5					
6					
7					
8					
TOTAL:			34,251		774,251

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

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

PROVIDER: Mennonite Brethren Homes, Inc

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

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

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

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

PROVIDER: Mennonite Brethren Homes, Inc.

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

Line	TOTAL
1	774,251
<hr/>	
2	
<hr/>	
3	
<hr/>	
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE: 774,251
<hr/>	

PROVIDER: Mennonite Brethren Homes, Inc

FORM 5-4: CALCULATION OF NET OPERATING EXPENSES

Line	Description	Amounts	TOTAL
1	Total operating expenses from financial statements		<u>19,234,396</u>
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	<u>34,251</u>	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	<u></u>	
c.	Depreciation	<u>948,238</u>	
d.	Amortization	<u></u>	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>12,688,869</u>	
f.	Extraordinary expenses approved by the Department	<u></u>	
3	Total Deductions		<u>13,671,358</u>
4	Net Operating Expenses		<u>5,563,038</u>
5	Divide Line 4 by 365 and enter the result		<u>15,241</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount		<u>1,143,090</u>

PROVIDER: Mennonite Brethren Homes, Inc

COMMUNITY: Palm Village Retirement Community

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES
SUPPORTING EXPLANATION FOR LINE 2E

Calculation of non-CCRC revenue from "Residential Services" revenue per the Statement of Activities
Audited Financial Statement: Consolidated Statements of Activities

Residential Services	17,667,485
Less: CCRC Revenues	
Assisted Living Revenue - Private Pay	(2,825,439)
Assisted Living Revenue - Memory Care	(801,353)
Assisted Living Revenue - LOC	(248,458)
IL (Patio Home) Maintenance	(1,103,366)
Total CCRC Revenues	<u>(4,978,616)</u>
Total non-CCRC Revenues	<u><u>12,688,869</u></u>

Total Amount of Qualifying Assests

Listed for Reserve Obligation: [11] 774,251 [12] 3,368,873

Reserve Obligation Amount: [13] 774,251 [14] 1,143,090

Surplus/(Deficiency): [15] 0 [16] 2,225,783

Signature:



Date: 4/15/2026

(Authorized Representative)

President & CEO

(Title)

**FORM 5-5
ANNUAL RESERVE CERTIFICATION
QUALIFYING ASSETS RECONCILIATION**

Consolidated Statement of Financial Position		<u>Debt Service</u> <u>Reserve</u>	<u>Operating</u> <u>Reserve</u>
Current Assets			
Cash & Cash Equivalents	2,356,168	→	2,356,168
Assets Limited as to use			
Under indenture agreement held for debt service	322,275	→	322,275
Emergency Funds	1,464,681	→	1,012,705



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