



**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023



HANSEN HUNTER & CO. P.C.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Brethren Hillcrest Homes
La Verne, California

Opinion

We have audited the accompanying financial statements of Brethren Hillcrest Homes (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2024 and 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of Brethren Hillcrest Homes as of June 30, 2024 and 2023, 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 of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brethren Hillcrest Homes 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 Brethren Hillcrest Homes' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Brethren Hillcrest Homes' 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 Brethren Hillcrest Homes' 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.

Hansen Hunter + Co. P.C.

September 25, 2024

BRETHREN HILLCREST HOMES
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2024	2023
Current assets		
Cash and cash equivalents	\$ 4,145,990	\$ 9,489,798
Accounts receivable, net of allowance for doubtful accounts of \$65,000 and \$76,255, respectively	1,014,423	922,823
Entrance fees receivable	2,111,833	2,451,700
Inventory	82,529	79,151
Prepaid expenses and deposits	352,198	200,438
Total current assets	7,706,973	13,143,910
Non-current assets		
Endowment	4,382,901	3,193,540
Assets whose use is limited	1,271,903	1,186,521
Investments	35,645,178	32,455,361
Derivative instruments	3,272,623	3,575,191
Property, plant and equipment, net	71,719,679	70,582,586
Total assets	\$ 123,999,257	\$ 124,137,109

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

BRETHREN HILLCREST HOMES

STATEMENTS OF FINANCIAL POSITION
(Continued)

LIABILITIES AND NET ASSETS

	June 30,	
	2024	2023
Current liabilities		
Accounts payable	\$ 835,072	\$ 686,889
Accrued expenses	1,449,420	1,376,979
Refundable deposits	103,260	96,936
Contract liability - advanced rent	61,541	87,268
Current portion of bonds payable	1,935,000	6,950,000
Current portion of note payable	30,816	30,816
Construction payable	105,350	-
Interest payable	142,369	169,773
Refundable advance - HHS provider relief funds	59,250	59,250
	4,722,078	9,457,911
Non-current liabilities		
Bonds payable, net of current portion	29,000,000	30,935,000
Unamortized debt issuance costs	(510,651)	(547,841)
	28,489,349	30,387,159
Note payable, net of current portion	150,778	227,218
Other long-term liability	80,729	96,875
Annuities payable	557,705	648,186
Repayable entrance fees	477,130	477,130
Contract liability from entrance fees	42,632,654	42,456,319
	77,110,423	83,750,798
Net assets		
Without donor restrictions	33,659,093	27,792,549
With donor restrictions	13,229,741	12,593,762
	46,888,834	40,386,311
	46,888,834	40,386,311
Total liabilities and net assets	\$ 123,999,257	\$ 124,137,109

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

BRETHREN HILLCREST HOMES

STATEMENTS OF ACTIVITIES

	Years Ended June 30,	
	2024	2023
Changes in net assets without donor restrictions:		
Revenues		
Residential Living	\$ 17,815,583	\$ 15,473,945
Birch Court	2,656,146	2,434,814
Woods Assisted Living	884,141	927,949
Southwoods Lodge	1,923,608	1,868,143
Woods Health Services	7,493,139	6,371,339
Telephone system	144,445	135,712
Rentals	178,467	134,018
Other revenue	1,483,435	1,253,372
Contributions	236,978	152,070
Investment return, net	4,167,139	3,114,186
Gain on disposal of fixed assets	720	330
Unrealized gain (loss) on derivative investment	(302,568)	766,846
Net assets released from restrictions	581,536	584,311
	37,262,769	33,217,035
Expenses		
Residential Living	11,394,244	10,375,467
Birch Court	1,110,169	1,077,323
Woods Assisted Living	589,341	490,512
Southwoods Lodge	1,166,548	1,173,376
Woods Health Services	6,371,006	5,874,032
Marketing and development	550,480	565,129
Management and general	3,018,256	2,455,137
Interest	882,019	1,115,505
Depreciation	5,139,078	5,210,176
Insurance	621,327	551,929
Telephone system	310,393	214,744
Bad debt expense	9,484	68,722
Inter-fund interest	233,880	258,497
	31,396,225	29,430,549
Change in net assets without donor restrictions	5,866,544	3,786,486

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

BRETHREN HILLCREST HOMES

STATEMENTS OF ACTIVITIES

(Continued)

	Years Ended June 30,	
	2024	2023
Changes in net assets with donor restrictions:		
Contributions	\$ 563,031	\$ 674,297
Inter-fund interest income	233,880	258,497
Investment return, net	515,666	322,449
Present value adjustment of gift annuities payable	(95,062)	(91,539)
Net assets released from restriction	<u>(581,536)</u>	<u>(584,311)</u>
Change in net assets with donor restrictions	<u>635,979</u>	<u>579,393</u>
Change in total net assets	<u>6,502,523</u>	<u>4,365,879</u>
Net assets, beginning of year	<u>40,386,311</u>	<u>36,020,432</u>
Net assets, end of year	<u>\$ 46,888,834</u>	<u>\$ 40,386,311</u>

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

BRETHREN HILLCREST HOMES

STATEMENTS OF FUNCTIONAL EXPENSES

	For the Year Ended June 30, 2024			
	Program Services	General and Administrative	Fundraising	Total
Salaries, wages, payroll taxes and benefits	\$ 11,240,442	\$ 3,477,855	\$ 165,500	\$ 14,883,797
Contracted services	3,012,748	780,099	-	3,792,847
Advertising and promotion	-	95,085	1,134	96,219
Office expenses	282,375	280,815	-	563,190
Occupancy	1,113,655	297,101	-	1,410,756
Supplies	2,037,176	51,601	1,625	2,090,402
Repairs and maintenance	538,139	2,566	-	540,705
Other	761,032	343,753	27,736	1,132,521
Interest	882,019	233,880	-	1,115,899
Depreciation	4,868,303	270,775	-	5,139,078
Insurance	490,848	130,479	-	621,327
Bad debt	9,484	-	-	9,484
	\$ 25,236,221	\$ 5,964,009	\$ 195,995	\$ 31,396,225

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

BRETHREN HILLCREST HOMES

STATEMENTS OF FUNCTIONAL EXPENSES

(Continued)

	For the Year Ended June 30, 2023			
	Program Services	General and Administrative	Fundraising	Total
Salaries, wages, payroll taxes and benefits	\$ 10,501,236	\$ 2,975,215	\$ 144,218	\$ 13,620,669
Contracted services	2,442,951	621,287	-	3,064,238
Advertising and promotion	1,588	118,325	2,755	122,668
Office expenses	267,309	277,427	-	544,736
Occupancy	1,102,887	293,172	-	1,396,059
Supplies	1,977,441	50,178	617	2,028,236
Repairs and maintenance	400,934	4,151	-	405,085
Other	702,827	313,153	28,049	1,044,029
Interest	1,115,505	258,497	-	1,374,002
Depreciation	4,956,577	253,599	-	5,210,176
Insurance	436,024	115,905	-	551,929
Bad debt	68,722	-	-	68,722
	<u>\$ 23,974,001</u>	<u>\$ 5,280,909</u>	<u>\$ 175,639</u>	<u>\$ 29,430,549</u>

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

BRETHREN HILLCREST HOMES

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2024	2023
Cash flows from operating activities		
Cash received from residents	\$ 25,295,962	\$ 22,683,223
Non-refundable entrance fees received	8,238,584	7,630,743
Contributions	176,348	132,492
Investment income received	1,134,916	126,111
Interest paid	(872,233)	(977,137)
Cash paid to suppliers and employees	<u>(25,063,226)</u>	<u>(22,766,065)</u>
Net cash provided by (used in) operating activities	<u>8,910,351</u>	<u>6,829,367</u>
Cash flows from investing activities		
Capital expenditures	(6,213,171)	(4,148,115)
Proceeds from sale of assets	718	330
(Purchases) sales of assets whose use is limited	141,754	133,914
(Purchases) sales of investments	(42,864)	(419,903)
(Purchases) sales of endowment	<u>(974,466)</u>	<u>(568,157)</u>
Net cash provided by (used in) investing activities	<u>(7,088,029)</u>	<u>(5,001,931)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for:		
Investment in donor restricted assets	563,031	674,297
Investment subject to annuity agreements	-	18,328
Other financing activities:		
Entrance fees repaid	(613,153)	(376,464)
Debt principal payments	(6,950,000)	(1,705,000)
Payments on annuity obligations	<u>(124,913)</u>	<u>(127,125)</u>
Net cash provided by (used in) financing activities	<u>(7,125,035)</u>	<u>(1,515,964)</u>

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

BRETHREN HILLCREST HOMES

STATEMENTS OF CASH FLOWS

(Continued)

	Years Ended June 30,	
	2024	2023
Net change in cash, cash equivalents and restricted cash	\$ (5,302,713)	\$ 311,472
Cash, cash equivalents and restricted cash, beginning of year	10,190,687	9,879,215
Cash, cash equivalents and restricted cash, end of year	\$ 4,887,974	\$ 10,190,687
<u>Supplemental disclosures of non-cash investing and financing activities:</u>		
Capital expenditures included in construction payable	\$ 105,350	\$ -
Capital expenditures included in accounts payable	\$ 31,741	\$ 28,469

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the same such amounts shown in the statements of cash flows.

	June 30,	
	2024	2023
Cash and cash equivalents	\$ 4,145,990	\$ 9,489,798
Endowment, cash and cash equivalents	39,890	176,433
Assets whose use is limited, cash and cash equivalents	702,094	524,456
Total cash, cash equivalents and restricted cash	\$ 4,887,974	\$ 10,190,687

Amounts included in restricted cash represent those required to be set aside for endowments and assets whose use is limited as disclosed in Notes 4 and 5, respectively, to the financial statements.

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

BRETHREN HILLCREST HOMES

STATEMENTS OF CASH FLOWS
(Continued)

	Years Ended June 30,	
	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 6,502,523	\$ 4,365,879
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization of entrance fees	(7,109,229)	(5,602,485)
Amortization of gift annuities	95,062	91,539
Depreciation	5,139,078	5,210,176
Amortization of debt issuance costs	37,190	36,471
Amortization of note payable	(30,816)	(30,816)
Amortization of other long-term liability	(16,146)	(16,145)
Contributions restricted for long-term investment	(563,031)	(674,297)
Unrealized (gain) loss on investments	(3,547,889)	(3,310,524)
Gain on asset disposal	(720)	(330)
Revenue on expired gift annuity contracts	(60,630)	(19,578)
Non-refundable entrance fees received	8,238,584	7,630,743
Unrealized (gain) loss on derivative investment	302,568	(766,846)
 (Increase) decrease in operating assets:		
Accounts receivable	(91,600)	(285,169)
Inventory	(3,378)	(21,261)
Prepaid expenses and deposits	(151,760)	74,982
 Increase (decrease) in operating liabilities:		
Accounts payable	144,911	(6,980)
Accrued expenses	72,441	23,021
Refundable deposits	6,324	(58,178)
Contract liability - advanced rent	(25,727)	87,268
Interest payable	(27,404)	101,897
 Net cash provided by (used in) operating activities	\$ 8,910,351	\$ 6,829,367

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

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 1 – NATURE OF BUSINESS:

Brethren Hillcrest Homes (Hillcrest) was incorporated in 1947 as a California tax-exempt not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code, to operate a continuing care retirement community. Accordingly, contributions to Hillcrest qualify as deductible charitable contributions for income tax purposes. Residents of the retirement community receive housing and related services, including health care, based on individual contracts which may include an entrance fee, monthly fee or a daily fee for services provided. The facility, which is located in La Verne, California, services approximately 400 residents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Hillcrest. Hillcrest's board of directors may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Hillcrest or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated that the funds be maintained in perpetuity.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Hillcrest considers all highly liquid instruments, those with a maturity of three months or less at the time of purchase, to be cash equivalents, excluding assets whose use is limited. The carrying amount reported in the statements of financial position for cash and cash equivalents approximates fair value due to the short-term nature of these financial instruments.

Accounts Receivable - Accounts receivable represents monthly fees and amounts due from residents and third-party payors for health care services. The receivables are recorded at amounts that reflect the consideration to which Hillcrest expects to be entitled in exchange for providing housing and related services, including health care services.

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Accounts Receivable (continued) –

In evaluating the collectability of accounts receivable, Hillcrest regularly analyzes its past history and identifies and reviews trends for each of its major payor sources of revenue to estimate appropriate and sufficient implicit and explicit price concessions reflected in accounts receivable.

The allowance estimate is derived from a review of Hillcrest’s historical losses based on the aging of receivables. This estimate is adjusted for management’s assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by Hillcrest. Hillcrest believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as Hillcrest’s experienced with residents have remained constant since inception.

Hillcrest writes off receivables when there is information that indicates the patient or resident is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in revenue. The total amount of write-offs was \$9,484 and \$68,722 for the years ended June 30, 2024 and 2023, respectively.

Net accounts receivable consisted of the following at:

	June 30,		
	2024	2023	2022
Amounts due from residents and third party payors, net	\$ 1,005,779	\$ 916,291	\$ 715,286
Interest receivable	73,644	82,787	-
Allowance for doubtful accounts	(65,000)	(76,255)	(77,632)
Accounts receivable, net	\$ 1,014,423	\$ 922,823	\$ 637,654

Accounts receivable over 90 days old were \$92,934 and \$153,039 at June 30, 2024 and 2023, respectively.

Inventory Valuation - Inventory, which consists of dietary supplies, is recorded at lower of cost or net realizable value based on the first-in/first-out method.

Endowment – These represent funds of the Hillcrest restricted by donors for the endowments. Hillcrest’s endowments consist of the Benevolence and Good Samaritan endowments and other perpetual funds established to provide assistance to residents.

Assets Whose Use is Limited - Assets whose use is limited consist of cash, money market funds and other investments. These assets are limited as to their use by contract agreements. These assets are reported at fair market value.

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Investments - Hillcrest considers its investments in marketable securities as available for sale, as they are not intended to be held to maturity, nor are they considered operating assets, and as such are carried at fair value. Donated investments are reported at fair value at the date of gift.

Realized gains and losses on dispositions are based on the sale proceeds versus the cost basis of the securities sold. Investment return (including realized and unrealized gains and losses on investments, interest and dividends) is included as an increase or decrease to net assets without donor restrictions, unless its use is restricted by explicit donor stipulations or law.

Refundable Deposits – Hillcrest collects deposits from applicants to secure units prior to move-in. These deposits will be applied against their entrance fee upon admission to Hillcrest or will be refunded if the potential resident determines he or she no longer wants to be on the waiting list.

Amortization of Entrance Fees – Hillcrest receives an upfront entrance fee when residents enter into a continuing care contract. The continuing care contract is inclusive of care and services, which is described in the agreement. In exchange for the fixed entrance fee and the monthly resident service fees, the resident has the right to occupy a unit and continue to live at Hillcrest. The continuing care contract creates a performance obligation to be satisfied over the resident’s remaining life at Hillcrest.

Lump sum entrance fees are included as a component of the transaction price and are amortized into revenue over the remaining life expectancy of the resident. The amount to be included is calculated by dividing the unamortized entrance fee by the current life expectancy of each resident and summing the results for all residents. The Life Expectancy Tables as published in Section 1792.6 of the State of California Continuing Care Contract Statutes are used in making the above computations. The unamortized portion is shown on the balance sheet as contract liability. Current year activity of the unamortized portion of entrance fees is summarized as follows:

	<u>Years Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 42,456,319	\$ 40,568,325
Sale of contracts	7,898,717	7,866,943
Refunds	(613,153)	(376,464)
Amortization of continuing care contracts	<u>(7,109,229)</u>	<u>(5,602,485)</u>
Balance, end of year	<u>\$ 42,632,654</u>	<u>\$ 42,456,319</u>

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Non-Refundable Fees - Hillcrest is obligated to refund a portion of entrance fees to residents who withdraw before fifty months. If the resident withdraws within three months, the entire entrance fee is refunded, less a 4% termination fee. Contracts are refundable over fifty months, with the refundable amount reduced by 2% per month, less a 4% termination fee.

Unamortized entrance fees still within a potentially refundable declining period at June 30, 2024 and 2023, were \$17,827,123 and \$15,953,287, respectively. Based on the past five years, actual refunds have averaged \$482,638 per year.

Repayable Contracts - Hillcrest has contracts under a repayable entrance fee program that are entitled to a refund of 90% of the total entrance fee, less a 4% termination fee, upon withdrawal or death after the unit is reoccupied.

There was one repayable contract at June 30, 2024 and 2023. The total liability for the repayable entrance fee contract was \$477,130 at June 30, 2024 and 2023.

Debt Issuance Costs - Costs related to the issuance of the Series 2020 Bonds of \$648,011 are being amortized to interest expense over the term of the related debt. Accumulated amortization of these costs was \$137,360 and \$100,170 at June 30, 2024 and 2023, respectively. These amounts are included as reductions of the bonds payable balance in the accompanying statements of financial position.

Revenue Recognition – Hillcrest provides residential living, assisted living and health services to residents for a stated daily or monthly fee. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance under Hillcrest's independent living, assisted living and health services agreements.

Hillcrest recognizes revenue as its performance obligations are completed. Amounts collected from residents in advance are recognized as contract liability until the performance obligations are satisfied. Contract liability from advanced rent was \$61,541 and \$87,268 at June 30, 2024 and 2023, respectively. No contract liability from advanced rent was recorded at June 30, 2022. Routine resident services are treated as a single performance obligation satisfied over time as services are rendered. These routine services represent a bundle of services that are not capable of being distinct. The performance obligations are satisfied over time as the resident simultaneously receives and consumes the benefits of the services provided. Hillcrest 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.

As the performance obligations relate to contracts with a duration of one year or less, Hillcrest has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, 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. Hillcrest has minimal unsatisfied performance obligations at the end of the reporting period as residents are typically under no obligation to remain at the facility or under Hillcrest's care.

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Revenue Recognition (continued) – Hillcrest determines the transaction price based on established billing rates, reduced by explicit price concessions of contractual adjustments provided to third-party payors and implicit price concessions provided to residents. Hillcrest determines its estimates of contractual adjustments based on contractual agreements and historical experience. Hillcrest determines its estimate of implicit price concessions based on its historical collection experience with the class of residents. Hillcrest considers the resident’s ability and intent to pay the amount of consideration upon admission.

Net revenues are adjusted when changes in estimates of variable considerations occur. Changes in estimates typically arise as a result of new information obtained, such as payment receipt or denial, or retroactive pricing adjustments by payors for services. Subsequent changes to estimates of transaction prices are recorded as adjustments to net revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in payors ability to pay are recorded as an allowance for doubtful accounts. Hillcrest will write off accounts receivable once all collection efforts are exhausted and accounts are deemed uncollectible. In accordance with the adoption of ASC 606, an allowance for doubtful accounts is established only as a result of an adverse change in the customer or payor’s ability to pay outstanding billings.

Hillcrest disaggregates resident revenue by payor. Room and board revenue and resident care fees, net of contractual allowances, by payor sources is as follows for the years ended June 30:

	2024				
	Residential Living	Birch Court	Woods Assisted Living	Southwoods Lodge	Woods Health Services
Private pay	\$ 17,815,583	\$ 2,656,146	\$ 884,141	\$ 1,923,608	\$ 2,970,747
Medicare	-	-	-	-	1,041,038
Medi-Cal	-	-	-	-	1,526,843
Others	-	-	-	-	1,954,511
	<u>\$ 17,815,583</u>	<u>\$ 2,656,146</u>	<u>\$ 884,141</u>	<u>\$ 1,923,608</u>	<u>\$ 7,493,139</u>
	2023				
	Residential Living	Birch Court	Woods Assisted Living	Southwoods Lodge	Woods Health Services
Private pay	\$ 15,473,945	\$ 2,434,814	\$ 927,949	\$ 1,868,143	\$ 2,566,224
Medicare	-	-	-	-	1,314,715
Medi-Cal	-	-	-	-	1,266,371
Others	-	-	-	-	1,224,029
	<u>\$ 15,473,945</u>	<u>\$ 2,434,814</u>	<u>\$ 927,949</u>	<u>\$ 1,868,143</u>	<u>\$ 6,371,339</u>

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Net Patient Service Revenue - Hillcrest has agreements with third-party payors that provide for payments to Hillcrest at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Upon audit by the State or Medicare, there is a possibility of adjustment to costs reimbursed.

Donated Services - Significant amounts of time from a number of people have been donated to Hillcrest. The accompanying financial statements do not reflect the value of those donated services as no reliable basis exists for reasonably determining the amounts involved.

Contributions – Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, 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. Donations of property and equipment are recorded at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets being placed in service.

Obligation to Provide Future Services - Annually, Hillcrest calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of contract liability from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the contract liability from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to expense. For the years ended June 30, 2024 and 2023, the calculation resulted in no future service liability. The discount rate used was 6%.

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Gift Annuities - Hillcrest sponsors a charitable gift annuity program as part of its fundraising activities. The assets received in exchange for these annuity contracts are segregated for accounting and investment purposes. Management has interpreted the agreements to require investment of the entire contract amount until the annuitant dies. Cash received is invested per Hillcrest's policy, while other assets received are held as the underlying investments for the related contracts. At the time of death of the annuitant, the residuum is distributed to the designated net asset class as specified by the annuitant at the time the agreement was issued. If no designation was made, the residuum is distributed to the net assets without donor restrictions class.

Gift annuity contracts are a general liability of Hillcrest and are not limited to the segregated assets. The actuarially determined liability is calculated annually and adjusted accordingly. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables. As a qualifying not-for-profit corporation, Hillcrest is authorized by the State of California to issue gift annuity contracts and is accordingly subject to applicable State laws and regulations.

Advertising - Advertising and marketing costs are charged to expense at the time they are incurred. Total advertising expense was \$79,414 and \$111,792 for the years ended June 30, 2024 and 2023, respectively.

Financial Instruments - Hillcrest's financial instruments consist of accounts and entrance fees receivable, endowment, assets whose use is limited, investments, derivative instruments, accounts payable, accrued expenses, refundable deposits, construction payable, interest payable, refundable advance- HHS provider relief funds, bonds payable, note payable, other long-term liability, annuities payable and repayable entrance fees. It is management's opinion that Hillcrest is not exposed to significant interest rate or credit risk arising from these instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

Functional Expenses – The costs of providing various programs and other activities of Hillcrest have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, the costs of Hillcrest have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses which are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel and related costs	Time and effort, analyzed by department
Supplies	Department and purpose
Contract services	Department and purpose
Maintenance	Department and purpose
Utilities and facility costs	Department and purpose
Insurance and taxes	Department and purpose
Interest	Purpose of debt
Depreciation and amortization	Department and purpose

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Income Taxes – Hillcrest is a tax-exempt organization pursuant to Internal Revenue Code (IRC) 501(a) as an organization described by the IRC Section 501(c)(3) and applicable state law; therefore, no provision for income taxes has been made in the accompanying financial statements.

Hillcrest follows the provisions of the Income Tax Topic of the FASB Accounting Standards Codification relating to unrecognized tax benefits. This standard requires an entity to recognize a liability for tax positions when there is a 50% or greater likelihood that the position will not be sustained upon examination. Hillcrest is liable for taxes to the extent of any unrelated business income as defined by the IRS regulations. Hillcrest believes that it has not generated any unrelated business taxable income as defined by IRS regulations and that it is more likely than not that this position would be sustained upon examination. As such, there were no liabilities recorded for uncertain tax positions at June 30, 2024 and 2023.

Reclassifications – Certain reclassifications have been made to the prior year financial statements in order for them to conform to the current year’s presentation.

Adoption of Accounting Standard Changes - In June 2016, the FASB issued guidance on Accounting Standards Codification (ASC) 326, Financial Instruments - Credit Losses. ASC 326 replaces the current incurred loss impairment methodology for credit losses with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing Hillcrest’s exposure to credit risk and the measurement of credit losses. Financial assets held by Hillcrest that are subject to the guidance in ASC 326 were trade receivables.

Effective July 1, 2023, Hillcrest adopted this standard. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(Continued)

NOTE 3 – LIQUIDITY AND AVAILABILITY:

The table below represents financial assets available for general expenditures within one year at:

	June 30,	
	2024	2023
Cash and cash equivalents	\$ 4,145,990	\$ 9,489,798
Accounts receivable, net	1,014,423	922,823
Entrance fees receivable	2,111,833	2,451,700
Undesignated investments	19,270,011	17,923,009
	\$ 26,542,257	\$ 30,787,330

Hillcrest tracks cash on a monthly basis and it is reviewed by the Board of Directors on a quarterly basis. Hillcrest’s goal is to maintain financial assets to meet a minimum of 250 days of operating expenses (approximately \$17,953,000) and have sufficient funds available to meet required debt service payments under the terms of the Bonds. In addition to the assets above there is \$14,702,962, and \$12,829,305 of Board Designated investments available if deemed necessary by the Board of Directors, at June 30, 2024 and 2023, respectively. As part of its liquidity plan, excess cash is invested in financial instruments, as disclosed in Note 8.

NOTE 4 – ENDOWMENT:

The Endowment funds are recorded at fair market value and invested as follows at:

	June 30,	
	2024	2023
<i><u>Endowment Funds</u></i>		
Cash and money markets	\$ 39,890	\$ 176,433
Fixed income securities	1,304,575	817,817
Equity securities	3,038,436	2,199,290
	\$ 4,382,901	\$ 3,193,540

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 5 – ASSETS WHOSE USE IS LIMITED:

Assets whose use is limited are recorded at fair market value and consist of the following at:

	June 30,	
	2024	2023
<u>Gift Annuities</u>		
Gift annuities funds	\$ 589,977	\$ 690,979
 <u>Resident Trust</u>		
Resident trust funds	3,744	-
 <u>Resident Association</u>		
Resident association funds	678,182	495,542
	\$ 1,271,903	\$ 1,186,521

The assets are invested as follows at:

	June 30,	
	2024	2023
<u>Gift Annuities</u>		
Cash and money markets	\$ 23,912	\$ 28,914
Fixed income securities	358,915	430,483
Equity securities	207,150	231,582
	589,977	690,979
 <u>Resident Trust</u>		
Cash	3,744	-
 <u>Resident Association</u>		
Cash	678,182	495,542
	\$ 1,271,903	\$ 1,186,521

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(Continued)

NOTE 6 – INVESTMENTS:

Investments are recorded at fair market value and consist of the following at:

	June 30,	
	2024	2023
<i><u>Board Designated Funds</u></i>		
Operating and capital reserve	\$ 14,194,789	\$ 12,491,133
Earthquake insurance fund	508,173	338,172
<i><u>Undesignated</u></i>		
Undesignated funds	19,270,011	17,923,009
<i><u>Specific Purpose</u></i>		
Specific purposes funds	1,280,664	1,306,783
<i><u>Insurance</u></i>		
Insurance investments	391,541	396,264
	\$ 35,645,178	\$ 32,455,361

There were no expenditures made from the Board Designated Funds during the years ended June 30, 2024 and 2023.

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 6 – INVESTMENTS (continued):

The assets are invested as follows at:

	June 30,	
	2024	2023
<i><u>Board Designated Funds</u></i>		
Cash and money markets	\$ 11,414	\$ 28,375
Fixed income securities	4,429,123	3,302,829
Equity securities	10,262,425	9,498,101
	14,702,962	12,829,305
<i><u>Undesignated</u></i>		
Cash and money markets	10,110	51,880
Fixed income securities	5,799,798	4,428,999
Equity securities	13,460,103	13,442,130
	19,270,011	17,923,009
<i><u>Special Purpose</u></i>		
Cash and money markets	885,843	585,090
Fixed income securities	116,186	192,974
Equity securities	278,635	528,719
	1,280,664	1,306,783
<i><u>Insurance</u></i>		
Insurance investments	391,541	396,264
	\$ 35,645,178	\$ 32,455,361

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT:

Acquisitions greater than \$500 and with an expected life of one year or more were capitalized at cost. Effective January 1, 2024, the capitalization threshold was increased from \$500 to \$1,000. When property is donated, it is capitalized at fair value at the date of the gift. Interest paid during the construction period of an asset is capitalized.

Depreciation is computed on the straight-line basis over estimated useful lives as follows:

Buildings and improvements	Principally 3 to 40 years
Furniture, fixtures, equipment and vehicles	Principally 3 to 15 years

Property, plant and equipment are summarized as follows at:

	June 30,	
	2024	2023
Land	\$ 7,544,760	\$ 4,153,286
Land improvements	975,810	942,460
Master plan	11,703	11,703
Buildings and improvements	126,056,532	122,699,321
Furniture, fixtures, equipment and vehicles	10,983,767	10,369,476
	145,572,572	138,176,246
Less: accumulated depreciation	(75,308,804)	(70,363,343)
Subtotal	70,263,768	67,812,903
Construction-in-progress	1,455,911	2,769,683
Total	\$ 71,719,679	\$ 70,582,586

Hillcrest reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation techniques. There were no impairment losses recognized for the years ended June 30, 2024 and 2023.

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 8 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

Hillcrest has adopted the requirements of the Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification. This Topic defines fair value and requires enhanced disclosure about assets and liabilities carried at fair value. These additional disclosures are required only for financial assets and liabilities measured at fair value and for nonfinancial assets and liabilities measured at fair value on a recurring basis.

This Topic requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best available information. These assumptions include risks inherent in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model. It also specifies that transaction costs should not be considered in the determination of fair value. According to this Topic, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

This Topic establishes a fair value hierarchy that prioritizes the inputs 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy defined by this Topic are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are observable, either directly or indirectly, but are not quoted prices included within Level 1. Level 2 includes those financial instruments that are valued using external inputs with models or other valuation methodologies.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs.

As required by this Topic, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Fair value for Level 2 derivative instruments is determined using a derivative product agreement by using pricing models to calculate the discounted present value of cash flows derived from forward curves, correlation and volatility levels based upon observable market inputs and/or good faith estimates. Fair value for Level 3 insurance investments is determined by the estimated equity value at year end.

The fair value for Level 3 liabilities is determined by calculating the present value of cash flows expected to be paid out, using various discount rates and life expectancy tables.

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 8 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued):

The fair value of financial assets and liabilities measured on a recurring basis at June 30 are as follows:

	Fair Value Measurements at Reporting Date Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
<u>June 30, 2024</u>				
<u>Assets:</u>				
Investments				
Cash and money markets	\$ 907,367	\$ 907,367	\$ -	\$ -
Mutual funds:				
Bond funds	10,345,107	10,345,107	-	-
Large blend equity funds	15,826,938	15,826,938	-	-
Large value equity funds	4,154,456	4,154,456	-	-
Large growth equity funds	4,019,769	4,019,769	-	-
Mid growth equity funds	-	-	-	-
Insurance investments	391,541	-	-	391,541
Total investments	<u>35,645,178</u>	<u>35,253,637</u>	<u>-</u>	<u>391,541</u>
Endowment				
Cash and money markets	39,890	39,890	-	-
Mutual funds:				
Bond funds	1,304,575	1,304,575	-	-
Large blend equity funds	1,985,213	1,985,213	-	-
Large value equity funds	531,780	531,780	-	-
Large growth equity funds	521,443	521,443	-	-
Total endowment	<u>4,382,901</u>	<u>4,382,901</u>	<u>-</u>	<u>-</u>
Assets whose use is limited				
Cash and money markets	705,838	705,838	-	-
Mutual funds:				
Bond funds	358,915	358,915	-	-
Large blend equity funds	136,320	136,320	-	-
Large value equity funds	36,174	36,174	-	-
Large growth equity funds	34,656	34,656	-	-
Total assets whose use is limited	<u>1,271,903</u>	<u>1,271,903</u>	<u>-</u>	<u>-</u>
Derivative instruments	<u>3,272,623</u>	<u>-</u>	<u>3,272,623</u>	<u>-</u>
Total assets	<u>\$ 44,572,605</u>	<u>\$ 40,908,441</u>	<u>\$ 3,272,623</u>	<u>\$ 391,541</u>
<u>Liabilities:</u>				
Annuity payment liability	<u>\$ 557,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 557,705</u>

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 8 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued):

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2023</u>				
<u>Assets:</u>				
Investments				
Cash and money markets	\$ 665,345	\$ 665,345	\$ -	\$ -
Mutual funds:				
Bond funds	7,924,802	7,924,802	-	-
Large blend equity funds	13,917,668	13,917,668	-	-
Large value equity funds	4,397,919	4,397,919	-	-
Large growth equity funds	4,041,421	4,041,421	-	-
Mid growth equity funds	1,111,942	1,111,942	-	-
Insurance investments	396,264	-	-	396,264
Total investments	<u>32,455,361</u>	<u>32,059,097</u>	<u>-</u>	<u>396,264</u>
Endowment				
Cash and money markets	176,433	176,433	-	-
Mutual funds:				
Bond funds	817,817	817,817	-	-
Large blend equity funds	1,275,668	1,275,668	-	-
Large value equity funds	436,564	436,564	-	-
Large growth equity funds	408,969	408,969	-	-
Mid growth equity funds	78,089	78,089	-	-
Total endowment	<u>3,193,540</u>	<u>3,193,540</u>	<u>-</u>	<u>-</u>
Assets whose use is limited				
Cash and money markets	524,456	524,456	-	-
Mutual funds:				
Bond funds	430,483	430,483	-	-
Large blend equity funds	128,774	128,774	-	-
Large value equity funds	44,234	44,234	-	-
Large growth equity funds	41,938	41,938	-	-
Mid growth equity funds	16,636	16,636	-	-
Total assets whose use is limited	<u>1,186,521</u>	<u>1,186,521</u>	<u>-</u>	<u>-</u>
Derivative instruments	3,575,191	-	3,575,191	-
Total assets	\$ <u>40,410,613</u>	\$ <u>36,439,158</u>	\$ <u>3,575,191</u>	\$ <u>396,264</u>
<u>Liabilities:</u>				
Annuity payment liability	\$ <u>648,186</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>648,186</u>

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 8 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued):

Assets measured at fair value on a recurring basis using significant unobservable inputs, Level 2 measurements, consist of the following:

	<u>Derivative instruments</u>
Balance at July 1, 2022	\$ 2,808,345
Deposits	-
Unrealized gains (losses)	<u>766,846</u>
Balance at June 30, 2023	3,575,191
Deposits	-
Unrealized gains (losses)	<u>(302,568)</u>
Balance at June 30, 2024	<u>\$ 3,272,623</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs, Level 3 measurements, consist of the following:

	<u>Insurance investments</u>
Balance at July 1, 2022	\$ 419,194
Deposits	-
Unrealized gains (losses)	<u>(22,930)</u>
Balance at June 30, 2023	396,264
Deposits	-
Unrealized gains (losses)	<u>(4,723)</u>
Balance at June 30, 2024	<u>\$ 391,541</u>

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 8 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued):

Liabilities measured at fair value on a recurring basis using significant unobservable inputs, Level 3 measurements, consist of the following:

	Annuity payment liability
Balance at July 1, 2022	\$ 685,022
New annuities	18,328
Payments made to annuitants	(127,125)
Revenue on expired contracts	(19,578)
Net change in present value of annuities	<u>91,539</u>
Balance at June 30, 2023	648,186
New annuities	-
Payments made to annuitants	(124,913)
Revenue on expired contracts	(60,630)
Net change in present value of annuities	<u>95,062</u>
Balance at June 30, 2024	<u><u>\$ 557,705</u></u>

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 9 – DERIVATIVE INVESTMENTS:

Hillcrest makes limited use of derivative instruments for the purpose of managing interest rate risks. Interest rate cap agreements are used to convert Hillcrest’s variable rate 2020 Series Bonds to a fixed rate. Changes in the fair value of these instruments are recognized as nonoperating unrealized investment gains or losses in the statements of activities.

Fair values of derivative instruments at June 30, are as follows:

	June 30,	
	2024	2023
Derivatives not designated as hedging instruments, interest rate contracts		
Effective February 1, 2021, interest rate cap derivative that matures August 1, 2030 from SMBC Capital Markets, Inc. at a variable interest rate based on a percentage of LIBOR, with a cap rate of 1.31% per annum. The notional amount of the interest rate cap derivative was \$4,266,000 and \$4,345,000 at June 30, 2024 and 2023, respectively.	\$ 560,966	\$ 608,869
Effective March 1, 2022, interest rate cap derivative that matures August 1, 2032 from SMBC Capital Markets, Inc. at a variable interest rate based on a percentage of LIBOR, with a cap rate of 1.23% per annum. The notional amount of the interest rate cap derivative was \$20,168,700 and \$21,551,200 at June 30, 2024 and 2023, respectively.	<u>2,711,657</u>	<u>2,966,322</u>
	<u>\$ 3,272,623</u>	<u>\$ 3,575,191</u>

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 10 – BONDS PAYABLE:

Bonds payable consisted of the following at:

	June 30,	
	<u>2024</u>	<u>2023</u>
California Municipal Finance Authority (Series 2020)	\$ <u>30,935,000</u>	\$ <u>37,885,000</u>
Less: unamortized debt issuance costs	(510,651)	(547,841)
Less: current portion	<u>(1,935,000)</u>	<u>(6,950,000)</u>
	\$ <u><u>28,489,349</u></u>	\$ <u><u>30,387,159</u></u>

Series 2020 Bonds

On July 31, 2020, the Series 2014 Bonds were defeased with proceeds of a Series 2020 Bond issuance. On July 31, 2020, the California Municipal Finance Authority issued \$10,600,000 Series 2020A Maximum Principal Amount Variable Rate Revenue Bonds and \$32,010,000 Series 2020B Taxable Revenue Refunding Bonds.

The proceeds from the Series 2020A Bonds were used for the Hawthorne Avenue project. The construction draw period ended July 31, 2023. The proceeds from the Series 2020B Bonds were used to defease the Series 2014 Bonds.

In July 2021, the Board of Directors approved management to proceed with reissuing the Series 2020 A and B Bonds. In September 2021, Hillcrest completed the reissuance process and entered into First Supplemental Bond Indenture agreements dated September 1, 2021. Effective at September 21, 2021, the initial private placement rate period ending date on the Series 2020A Bonds was extended from July 31, 2030 to August 1, 2050. The variable interest on the Series 2020A Bonds was decreased from 2.05% base to 1.75% base. In addition, certain terms of the variable interest rates were amended to mean either LIBOR, SOFR or the SIFMA Index, as selected. Effective at September 21, 2021, the initial private placement rate period ending date on the Series 2020B Bonds was extended from July 31, 2032 to June 30, 2036. The variable interest on the Series 2020B Bonds was decreased from 2.05% base to 1.75% base. In addition, certain terms of the variable interest rates were amended to mean either LIBOR, SOFR or the SIFMA Index, as selected.

Interest is payable monthly on the Series 2020 Bonds beginning September 1, 2020 at variable interest rates. The Series 2020A Bonds are payable beginning September 1, 2020, with monthly payments scheduled through August 1, 2050.

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 10 – BONDS PAYABLE (continued):

The Series 2020B Bonds are payable beginning September 1, 2020, with monthly payments scheduled through June 1, 2036. The Series 2020 Bonds are secured by a pledge of Hillcrest's gross revenues, and further secured by a first deed of trust on Hillcrest's real property, rents and leases, personal property and fixtures.

Future annual principal payments related to these bonds are as follows:

Years Ended June 30,		Amount
2025	\$	1,935,000
2026		1,985,000
2027		2,040,000
2028		2,115,000
2029		2,210,000
Thereafter		<u>20,650,000</u>
	\$	<u>30,935,000</u>

Upon satisfaction of the conditions of the bond trust indenture, Hillcrest had the option to reissue and exchange the Series 2020B Bonds for Bonds that bear interest that is excludable from gross income of the owners thereof for federal income tax purposes subsequent to March 1, 2022. As of May 16, 2022 pursuant to Section 222 of the Bond Indenture, Hillcrest converted all of the outstanding Original Series 2020B bonds to bear interest that is excludable from gross income for federal tax purposes. For federal income tax purposes, the conversion is treated as a reissuance and a current refunding of the Original Series 2020B Bonds.

The bond trust indenture requires Hillcrest to comply with various covenants, conditions and restrictions. A Debt Service Coverage Ratio of 1.20 is required at the end of each fiscal year. A Days Cash On Hand covenant requires 150 days of Cash on Hand each June 30 and December 31. Both of these covenants have been met at June 30, 2024 and 2023.

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(Continued)

NOTE 11 – NOTE PAYABLE:

During the year ended June 30, 2017, Hillcrest entered into an agreement to provide housing to two individuals in exchange for a piece of property located adjacent to Hillcrest. In connection with the agreement, Hillcrest signed a note payable to the recipients in the amount of \$470,363. At June 30, 2024 and 2023, the note payable was \$181,594 and \$258,034, respectively. The note payable indicates that in lieu of making monthly payments on the note, Hillcrest will be credited with the value of the housing, as well as any additional services, provided to the note holders. The monthly value is at least \$6,370 for the housing, excluding other services. In the event that the note holders are no longer receiving housing or services, Hillcrest will begin making monthly payments of at least \$6,370. The note bears no interest and is set to due in 2027.

Future required payments on the note payable are as follows for the years ended June 30:

2025	\$	79,980
2026		79,980
2027		<u>21,634</u>
	\$	<u><u>181,594</u></u>

NOTE 12 – OTHER LONG-TERM LIABILITY:

On June 8, 1998, Hillcrest entered into an agreement with the City of La Verne involving the cost of certain roadway improvements made to “B” Street, which runs along the eastern side of Hillcrest. The City of La Verne contributed \$82,117 of improvement costs to Hillcrest. Rather than requiring Hillcrest to pay cash to the City, the parties agreed that Hillcrest would set aside six residential units for “very low-income housing” for a term of 15 years per unit or a combination of very low-income housing and three lower-income housing units for every two very low-income housing units not occupied. During the year ended June 30, 2008, Hillcrest and the City of La Verne agreed to extend this agreement. The City contributed an additional \$296,000 for improvements to Benton Street, and Hillcrest had set aside the agreed-upon units for an additional 15 years beyond the original agreement. Hillcrest had recorded the cost in fixed assets, and established a corresponding liability which was amortized over the 15-year term. The agreement was terminated during the year ended June 30, 2023.

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 13 – NET ASSETS:

Net assets with donor restrictions were as follows at:

	June 30,	
	2024	2023
Specific purpose:		
Minnie A. Trout Health Services Education	\$ 145,163	\$ 124,665
C.O.B. Ministers and Missionaries	237,030	214,551
Christian Service	154,052	147,343
Woods Capital and Discretionary	386,070	375,530
Benevolence	4,030,159	3,421,560
Village Tower	27,397	26,964
Cultural Arts Society	3,889	8,736
Business Associates Breakfast	5,199	5,199
Welch Tribute	5,525	2,878
Residents' Association	34,682	37,446
Gift Shop	15,624	17,692
Reforestation Project	173	7,087
Scrubs for Health Services	1,646	1,646
LKB Professional Development	12,001	587
Chaplaincy	139	1,248
Charitable Gift Annuities	(42,424)	52,638
Cultural Arts Society Events	850	850
DEI	753	1,664
Refugee	9,875	10,175
	5,027,803	4,458,459
Total specific purpose		
Perpetual (donor restricted endowment funds):		
Benevolence endowment	6,024,534	6,022,634
Woods Capital and Discretionary	39,064	39,064
Minnie A. Trout Health Services Education Fund	183,496	182,491
C.O.B. Ministers and Missionaries	212,402	212,402
Good Samaritan endowment	1,519,667	1,512,173
LKB Professional Development	120,463	116,961
Chaplaincy	1,500	1,453
Welch Tribute	100,812	48,125
	8,201,938	8,135,303
Total perpetual		
	\$ 13,229,741	\$ 12,593,762

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 13 – NET ASSETS (continued):

Net assets were released from donor restrictions for the following purposes for:

	Years Ended June 30,	
	2024	2023
Woods Capital and Discretionary	\$ -	\$ 915
Benevolence	216,639	320,205
Cultural Arts Society	4,897	6,589
Resident Association	2,764	-
Gift Shop	39,440	41,772
Reforestation Project	22,770	19,062
Chaplaincy	2,404	-
DEI	1,369	1,077
Good Samaritan	271,795	179,028
Refugee	19,200	15,663
MV Dining	258	-
	<u>\$ 581,536</u>	<u>\$ 584,311</u>

Net assets without donor restrictions were as follows at:

	June 30,	
	2024	2023
Undesignated	\$ 18,956,131	\$ 14,963,244
Board Designated		
Operations and Capital	<u>14,702,962</u>	<u>12,829,305</u>
	<u>\$ 33,659,093</u>	<u>\$ 27,792,549</u>

Board of Directors have designated certain undesignated amounts for specific purposes. Inasmuch as these amounts have no donor restrictions, they are included in net assets without donor restrictions on the accompanying statements of financial position. The Board of Directors may rescind the designation of these amounts at any time.

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 14 – DONOR-DESIGNATED ENDOWMENT NET ASSETS:

Hillcrest's endowments consist of the Benevolence and Good Samaritan endowments and other perpetual funds established to provide assistance to residents. The endowments include donor restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of Hillcrest has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Hillcrest classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The policy of the board of directors is that all investment income from the endowment funds is available for transfer to the donor restricted fund with the same donor designation. In accordance with UPMIFA, Hillcrest considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Hillcrest and (7) Hillcrest's investment policy.

Hillcrest has adopted an investment policy for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Hillcrest must hold in perpetuity or for a donor-specified period.

Changes in endowment net assets were as follows for the:

	Years Ended June 30,	
	2024	2023
Balance, beginning of year	\$ 8,135,303	\$ 7,753,103
Contributions	55,592	11,636
Investment return, net	11,043	370,564
Distributions	-	-
Balance, end of year	\$ <u>8,201,938</u>	\$ <u>8,135,303</u>

There are no endowment net assets without donor restrictions for the years ended June 30, 2024 and 2023.

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(Continued)

NOTE 14 – DONOR-DESIGNATED ENDOWMENT NET ASSETS (continued):

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Hillcrest to retain as a fund of perpetual duration. Deficiencies of this nature existed in their donor-restricted endowment funds, which together have an original gift value of \$8,146,346 at June 30, 2023, and a current fair value of \$8,135,303 at June 30, 2023. There was a deficiency of \$11,043 at June 30, 2023. The deficiency resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment fund and continued appropriation for certain programs that was deemed prudent by the Board. There was no deficiency during the year ended June 30, 2024.

Hillcrest has borrowed from the net assets with donor restrictions to acquire property and fund construction of new facilities since 2003. All internal borrowing transactions and balances have been eliminated on the accompanying financial statements.

Internal borrowings were as follows at:

	June 30,	
	2024	2023
Internal borrowings, 30-year unsecured notes receivable/payable at 3% simple interest, payable in annual principal and interest payments. At the discretion of the Board of Directors, future payments may be postponed or withheld in any given year if making such payments would harm the sustainability of Hillcrest or violate existing bond covenants.		
Note receivable/payable for principal, due from the general fund to the endowment fund	\$ 894,805	\$ 1,394,329
Note receivable/payable for transfer of land, due from the general fund to the endowment fund	3,567,204	3,567,204
Note receivable/payable for transfer of land, due from the general fund to the special purpose fund	3,106,738	3,106,738
	\$ 7,568,747	\$ 8,068,271

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(Continued)

NOTE 15 – PENSION PLAN:

Hillcrest provides a pension plan for employees under Section 403(b) of the Internal Revenue Code. All full-time employees are eligible to participate however, an employee must be 21 years of age and have been employed for one year in order to receive employer contributions. Employees may voluntarily contribute a portion of their salary to the plan, subject to certain limitations. Hillcrest contributed 3% on behalf of each eligible employee for the year ended June 30, 2023. The employer contribution increased to 5% for the year ended June 30, 2024. Hillcrest's total cost for this pension plan was \$438,799 and \$229,134 for the years ended June 30, 2024 and 2023, respectively.

NOTE 16 – RELATED PARTIES:

Hillcrest purchased general and professional liability insurance with premiums of \$307,214 and \$289,740 for the years ended June 30, 2024 and 2023, respectively. The insurance was purchased from an insurance company of which Hillcrest is a shareholder. At June 30, 2024 and 2023, Hillcrest's investment in this insurance company was \$325,550 and \$330,273, respectively. This amount is included in investments at the estimated equity value at year end.

Hillcrest purchased workers' compensation insurance with premiums of \$669,252 and \$640,543 for the years ended June 30, 2024 and 2023, respectively. The insurance was purchased through a group self-insurance program of which Hillcrest is a member. The group insurance program is governed by the California Department of Industrial Relations.

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 17 – CHARITY CARE:

Hillcrest maintains records to identify and monitor the level of charity care it provides. These records indicate the difference between Hillcrest's customary charge and the rate paid by Medi-Cal or Supplemental Security Income (SSI), as well as charity care for residents. Residents' charity care is supported through benevolence donations and earnings on endowment resources.

The following information measures the level of voluntary charity care provided for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Nursing facility	\$ 33,540	\$ 12,315
Assisted living	85,898	173,315
Residential living	<u>81,996</u>	<u>126,420</u>
Related to contract residents	<u>201,434</u>	<u>312,050</u>
Related to community residents	<u>271,625</u>	<u>238,160</u>
Total	<u>\$ 473,059</u>	<u>\$ 550,210</u>

NOTE 18 – STATUTORY RESERVES:

Hillcrest is certified as a Continuing Care Retirement Community (CCRC) by the State of California. California Health and Welfare Code section 1792 requires that a CCRC establish "liquid reserves" (undesignated cash and marketable securities) equal to the total of all principal and interest payments on long-term obligations paid during the fiscal year plus 75 days of its projected operating expenses. Based on Hillcrest's debt payments made during the year ended June 30, 2024 and its projected operating expenses for the following fiscal year, Hillcrest was required to have approximately \$11,494,000 in liquid reserves at June 30, 2024. Hillcrest's liquid reserves at June 30, 2024, were sufficient to meet this requirement.

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

(Continued)

NOTE 19 – CONTINGENCIES:

Hillcrest is defendant in several lawsuits in the early stages of litigation. All claims have been referred to Hillcrest's insurance carrier and legal counsel. The final outcomes of these claims are unknown as of the date the financial statements were issued. While there can be no assurance, based on Hillcrest's evaluation of information currently available, management does not believe the results of such litigation would have material adverse effects on the results of operations, financial position or cash flows. However, Hillcrest's assessment may evolve based upon further developments in the proceedings. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible.

Hillcrest is subject to various claims for damages that arise in the normal course of business. Any claims would be referred to Hillcrest's insurance carrier. In management's opinion, potential losses arising from a claim would generally be covered by Hillcrest's insurance, and therefore, would not have a material impact on Hillcrest's financial position or results of its operations.

Hillcrest operates in a heavily regulated environment. The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations relate to, among other things, matters such as licensure, accreditation, and government health care program participation requirements, regulations regarding reimbursement for patient services and regulations regarding Medicare and Medi-Cal billing, fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of statutes and regulations by health care providers, which could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as significant repayments for patient services previously billed. Management believes that Hillcrest is in compliance with the fraud and abuse regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

NOTE 20 – CONCENTRATIONS OF CREDIT RISK:

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statements of financial position.

Hillcrest is a continuing care retirement community whose only campus is located in La Verne, California. For monthly fees charged to residents, Hillcrest grants credit on an unsecured basis.

Hillcrest has reserve funds, comprised of cash and equivalents and investments, located in various institutions. At times, the amount on deposit in some of the institutions exceeds the federally-insured limit. Hillcrest manages deposit concentration risk by placing amounts with financial institutions believed to be creditworthy. To date, Hillcrest has not experienced losses in any of these accounts.

BRETHREN HILLCREST HOMES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(Continued)

NOTE 21 – SUBSEQUENT EVENTS:

Hillcrest did not have any subsequent events through September 25, 2024, which is the date the financial statements were issued, requiring recording or disclosure in the financial statements for the year ended June 30, 2024.

Supplementary Information



HANSEN HUNTER & CO. P.C.
Certified Public Accountants

Independent Auditor's Report on Supplementary Information

To the Board of Directors
Brethren Hillcrest Homes
La Verne, California

We have audited the financial statements of Brethren Hillcrest Homes (a California not-for-profit corporation) as of and for the years ended June 30, 2024 and 2023, and have issued our report thereon dated September 25, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of Brethren Hillcrest Homes' 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.

Hansen Hunter + Co. P.C.

September 25, 2024

BRETHREN HILLCREST HOMES
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

	Without donor restrictions	With donor restrictions	Eliminations	Total
Current assets				
Cash and cash equivalents	\$ 4,145,990	\$ -	\$ -	\$ 4,145,990
Accounts receivable, net	1,014,423	-	-	1,014,423
Entrance fees receivable	2,111,833	-	-	2,111,833
Inventory	82,529	-	-	82,529
Prepaid expenses and deposits	352,198	-	-	352,198
	<u>7,706,973</u>	<u>-</u>	<u>-</u>	<u>7,706,973</u>
Non-current assets				
Other inter-fund borrowings	653,775	(653,775)	-	-
Restricted funds loans	-	7,568,747	(7,568,747)	-
Endowment	-	4,382,901	-	4,382,901
Assets whose use is limited	3,744	1,268,159	-	1,271,903
Investments	34,364,514	1,280,664	-	35,645,178
Derivative instruments	3,272,623	-	-	3,272,623
Property, plant and equipment, net	71,719,679	-	-	71,719,679
	<u>117,721,308</u>	<u>13,846,696</u>	<u>(7,568,747)</u>	<u>123,999,257</u>
Total assets				
Current liabilities				
Accounts payable	\$ 835,072	\$ -	\$ -	\$ 835,072
Accrued expenses	1,449,420	-	-	1,449,420
Refundable deposits	103,260	-	-	103,260
Contract liability - advanced rent	61,541	-	-	61,541
Current portion of bonds payable	1,935,000	-	-	1,935,000
Current portion of note payable	30,816	-	-	30,816
Construction payable	105,350	-	-	105,350
Interest payable	142,369	-	-	142,369
Refundable advance - HHS provider relief funds	-	59,250	-	59,250
	<u>4,662,828</u>	<u>59,250</u>	<u>-</u>	<u>4,722,078</u>
Non-current liabilities				
Restricted funds loan	7,568,747	-	(7,568,747)	-
	<u>7,568,747</u>	<u>-</u>	<u>(7,568,747)</u>	<u>-</u>
Bonds payable, net of current portion	29,000,000	-	-	29,000,000
Unamortized debt issuance costs	(510,651)	-	-	(510,651)
	<u>28,489,349</u>	<u>-</u>	<u>-</u>	<u>28,489,349</u>
Note payable, net of current portion	150,778	-	-	150,778
Other long-term liability	80,729	-	-	80,729
Annuities payable	-	557,705	-	557,705
Repayable entrance fees	477,130	-	-	477,130
Contract liability from entrance fees	42,632,654	-	-	42,632,654
	<u>84,062,215</u>	<u>616,955</u>	<u>(7,568,747)</u>	<u>77,110,423</u>
Total liabilities				
Net assets				
Without donor restrictions	33,659,093	-	-	33,659,093
With donor restrictions	-	13,229,741	-	13,229,741
	<u>33,659,093</u>	<u>13,229,741</u>	<u>-</u>	<u>46,888,834</u>
Total net assets	<u>33,659,093</u>	<u>13,229,741</u>	<u>-</u>	<u>46,888,834</u>
Total liabilities and net assets	<u>\$ 117,721,308</u>	<u>\$ 13,846,696</u>	<u>\$ (7,568,747)</u>	<u>\$ 123,999,257</u>

BRETHREN HILLCREST HOMES
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

	Without donor restrictions	With donor restrictions	Eliminations	Total
Current assets				
Cash and cash equivalents	\$ 9,489,798	\$ -	\$ -	\$ 9,489,798
Accounts receivable, net	922,823	-	-	922,823
Entrance fees receivable	2,451,700	-	-	2,451,700
Inventory	79,151	-	-	79,151
Prepaid expenses and deposits	200,438	-	-	200,438
	<u>13,143,910</u>	<u>-</u>	<u>-</u>	<u>13,143,910</u>
Non-current assets				
Other inter-fund borrowings	453,917	(453,917)	-	-
Restricted funds loans	-	8,068,271	(8,068,271)	-
Endowment	-	3,193,540	-	3,193,540
Assets whose use is limited	-	1,186,521	-	1,186,521
Investments	31,148,578	1,306,783	-	32,455,361
Derivative instruments	3,575,191	-	-	3,575,191
Property, plant and equipment, net	70,582,586	-	-	70,582,586
	<u>118,904,182</u>	<u>13,301,198</u>	<u>(8,068,271)</u>	<u>124,137,109</u>
Total assets				
Current liabilities				
Accounts payable	\$ 686,889	\$ -	\$ -	\$ 686,889
Accrued expenses	1,376,979	-	-	1,376,979
Refundable deposits	96,936	-	-	96,936
Contract liability - advanced rent	87,268	-	-	87,268
Current portion of bonds payable	6,950,000	-	-	6,950,000
Current portion of note payable	30,816	-	-	30,816
Interest payable	169,773	-	-	169,773
Refundable advance - HHS provider relief funds	-	59,250	-	59,250
	<u>9,398,661</u>	<u>59,250</u>	<u>-</u>	<u>9,457,911</u>
Non-current liabilities				
Restricted funds loan	8,068,271	-	(8,068,271)	-
	<u>30,935,000</u>	<u>-</u>	<u>-</u>	<u>30,935,000</u>
Bonds payable, net of current portion	30,935,000	-	-	30,935,000
Unamortized debt issuance costs	(547,841)	-	-	(547,841)
	<u>30,387,159</u>	<u>-</u>	<u>-</u>	<u>30,387,159</u>
	<u>227,218</u>	<u>-</u>	<u>-</u>	<u>227,218</u>
Note payable, net of current portion	227,218	-	-	227,218
Other long-term liability	96,875	-	-	96,875
Annuities payable	-	648,186	-	648,186
Repayable entrance fees	477,130	-	-	477,130
Contract liability from advance fees	42,456,319	-	-	42,456,319
	<u>91,111,633</u>	<u>707,436</u>	<u>(8,068,271)</u>	<u>83,750,798</u>
Total liabilities				
Net assets				
Without donor restrictions	27,792,549	-	-	27,792,549
With donor restrictions	-	12,593,762	-	12,593,762
	<u>27,792,549</u>	<u>12,593,762</u>	<u>-</u>	<u>40,386,311</u>
	<u>118,904,182</u>	<u>13,301,198</u>	<u>(8,068,271)</u>	<u>124,137,109</u>
Total liabilities and net assets				