

# ***Hollenbeck Palms***

***Continuing Care Reserve Report Schedules as  
of and for the Year Ended June 30, 2019, and  
Independent Auditors' Report***



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WEALTH ADVISORY  
OUTSOURCING  
AUDIT, TAX, AND  
CONSULTING

# HOLLENBECK PALMS

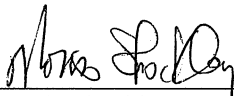
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**CERTIFICATION BY CHIEF EXECUTIVE OFFICER**  
**Fiscal Year Ended June 30, 2019**

1. The annual reserve reports and any amendments thereto are correct to the best of my knowledge.
2. Each continuing care contract form in use for new residents has been approved by the California Department of Social Services.
3. The provider is maintaining the required liquid reserve and, if applicable, refund reserve.

  
\_\_\_\_\_  
Morris Shockley  
President



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Hollenbeck Palms

We have audited the accompanying continuing care reserve report of Hollenbeck Palms (Hollenbeck Palms), a California Not-For-Profit Corporation, as of and for the year ended June 30, 2019.

### **Management's Responsibility for the Continuing Care Reserve Report**

Management is responsible for the preparation and fair presentation of the continuing care reserve report in accordance with the reporting provisions of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the continuing care reserve report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the continuing care reserve report based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the continuing care reserve report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the continuing care reserve report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the continuing care reserve report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Hollenbeck Palms' preparation and fair presentation of the continuing care reserve report 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 Hollenbeck Palms' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the continuing care reserve report.

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

## **Opinion**

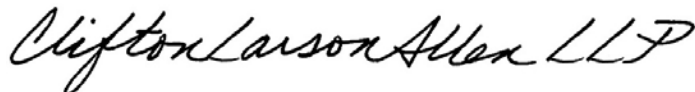
In our opinion, such continuing care reserve report Forms 5-1 through 5-5 present fairly, in all material respects, the liquid reserve requirements of Hollenbeck Palms at June 30, 2019, in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

## **Basis of Accounting**

The continuing care reserve report is prepared for the purpose of complying with the California Health and Safety Code Section 1792 and is not intended to be a complete presentation of Hollenbeck Palms' assets, liabilities, revenues and expenses and as such is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## **Restriction of Use**

This report is intended solely for the information and use of the board of directors and management of Hollenbeck Palms and for filing with the California Department of Social Services and is not intended to be and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.



CliftonLarsonAllen LLP  
Glendora, California  
October 21, 2019

**FORM 1-1  
RESIDENT POPULATION**

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	194
[2]	Number at end of fiscal year	187
[3]	Total Lines 1 and 2	381
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	191
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	194
[7]	Number at end of fiscal year	187
[8]	Total Lines 6 and 7	381
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	191
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	1.00

**FORM 1-2  
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses	\$17,498,774
[a]	Depreciation	\$1,286,312
[b]	Debt Service (Interest Only)	\$949,551
[2]	Subtotal (add Line 1a and 1b)	\$2,235,863
[3]	Subtract Line 2 from Line 1 and enter result.	\$15,262,911
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	100%
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	\$15,262,911
[6]	<b>Total Amount Due</b> (multiply Line 5 by .001)	\$15,263

**PROVIDER:** HOLLENBECK PALMS  
**COMMUNITY:** HOLLENBECK PALMS

**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	2/23/2007	\$740,000	\$679,899	\$0	\$1,419,899
2	7/14/2014	\$200,000	\$441,054		\$641,054
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>			\$1,120,953	\$0	\$2,060,953

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

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

HOLLENBECK PALMS  
TWO-WAY RECONCILIATION IN SUPPORT OF FORM 5-1  
For the fiscal year ended June 30, 2019

AMOUNTS FROM FINANCIAL STATEMENTS

Total cash paid for bond interest expense As reported on Form 5-1		\$ 1,120,953
Amount of cash paid reducing accrued interest expense for amounts accrued in prior year		(467,064)
Increase to accrued interest expense (5 months accrual of 6 months interest due for February to July 2019)		452,055
Less: bond interest capitalized in fixed assets during constuction period		(187,638)
Add: amortization of capitalized costs of issuance		<u>31,245</u>
Bond interest expense per Statement of Functional Expense, Page 6		<u>\$ 949,551</u>
Take the next year's interest component X 5/6		\$ 542,466
5 Months Accrued		5
6 Months Payment Period		6
		<u>\$ 452,055</u>
Expense recap	2014 Bonds	449,089
	2016 Bonds	503,462
		<u>\$ 952,551</u>



**FORM 5-2  
LONG-TERM DEBT INCURRED  
DURING FISCAL YEAR  
(Including Balloon Debt)**

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Total Interest Paid During Fiscal Year	Amount of Most Recent Payment on the Debt	Number of Payments over next 12 months	Reserve Requirement (see instruction 5) (columns (c) x (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>		\$0	\$0	0	\$0

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

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

**PROVIDER:** HOLLENBECK PALMS

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

<b>Line</b>		<b>TOTAL</b>
1	Total from Form 5-1 bottom of Column (e)	<u>\$2,060,953</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$0</u>
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	<u>N/A</u>
4	<b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<b><u><u>\$2,060,953</u></u></b>

**PROVIDER:** HOLLENBECK PALMS

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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$17,498,774</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$1,120,953</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>                    </u>	
	c. Depreciation	<u>\$1,286,312</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>                    </u>	
	f. Extraordinary expenses approved by the Department	<u>                    </u>	
3	Total Deductions		<u>\$2,407,265</u>
4	Net Operating Expenses		<u>\$15,091,509</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$41,347</u>
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.		<u><u>\$3,100,995</u></u>

**PROVIDER:** HOLLENBECK PALMS  
**COMMUNITY:** HOLLENBECK PALMS

**FORM 5-5  
ANNUAL RESERVE CERTIFICATION**

Provider Name: HOLLENBECK PALMS  
 Fiscal Year Ended: 6/30/2019

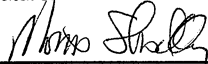
We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the fiscal year ended 6/30/2019 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$2,060,953</u>
[2] Operating Expense Reserve Amount	<u>\$3,100,995</u>
[3] <b>Total Liquid Reserve Amount:</b>	<b><u>\$5,161,948</u></b>

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

<u>Qualifying Asset Description</u>	<u>Amount</u> <u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>2,060,953</u>	<u>2,541,726</u>
[5] Investment Securities	<u>                    </u>	<u>10,941,406</u>
[6] Equity Securities	<u>                    </u>	<u>25,876,394</u>
[7] Unused/Available Lines of Credit	<u>                    </u>	<u>                    </u>
[8] Unused/Available Letters of Credit	<u>                    </u>	<u>                    </u>
[9] Debt Service Reserve	<u>                    </u>	<u>(not applicable)</u>
[10] Other:	<u>                    </u>	<u>                    </u>
<u>                    </u> <u>(describe qualifying asset)</u>		
<b>Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]</b>	2,060,953 [12]	39,359,526
<b>Reserve Obligation Amount: [13]</b>	2,060,953 [14]	3,100,995
<b>Surplus/(Deficiency): [15]</b>	- [16]	36,258,531

Signature:   
 (Authorized Representative)  
President  
 (Title)

Date: 10-25-2019

HOLLENBECK PALMS  
TWO-WAY RECONCILIATION IN SUPPORT OF FORM 5-5  
For the fiscal year ended June 30, 2019

	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>	<u>Total</u>
AMOUNTS FROM FINANCIAL STATEMENTS:			
Cash and cash equivalents, per Statement of Financial Position			\$ 2,137,702
Less amounts restricted by donors for specific purposes			(20,908)
Plus amounts board designated for investment in long term purposes			<u>2,485,885</u>
			<u>\$ 4,602,679</u>
Allocated to Debt Service Reserve, Line [4]	\$2,060,953	\$ -	\$ 2,060,953
Allocated to Operating Reserve, Line [4]		2,541,726	2,541,726
Total Cash and cash equivalents on Form 5-5	<u>\$2,060,953</u>	<u>\$ 2,541,726</u>	<u>\$ 4,602,679</u>
Investments, per Statement of Financial Position			
Investments -current assets			\$ 35,820,836
Investments - non-current assets			5,649,386
Plus amounts board designated or restricted for investment in long term purposes			<u>3,045,629</u>
			<u>\$ 44,515,851</u>
Components of Investments, per Footnote #6			
Cash and Money Market (restricted use; not included on Form 5-5)	\$	\$	\$ 232,932
Bank Deposits (not included on Form 5-5)			249,746
Mutual Funds included on Form 5-5, Operating Reserve, Line [5]		6,633,759	6,633,759
U.S. Treasury Securities included on Form 5-5, Operating Reserve, Line [5]		3,843,331	3,843,331
Stocks, included on Form 5-5, Operating Reserve, Line [6]		25,876,394	25,876,394
Corporate Bonds, included on Form 5-5, Operating Reserve, Line [5]		3,690,008	3,690,008
Mortgage-backed Securities included on Form 5-5, Operating Reserve, Line [5]		1,504,967	1,504,967
Municipal Bonds included on Form 5-5, Operating Reserve, Line [5]		1,628,369	1,628,369
Annuity & Life insurance policies (restricted use; not reported on Form 5-5)			854,514
Oil Interest (not reported on Form 5-5)			1,831
Less assigned assets		(3,317,216)	
Less donor restricted amounts		<u>(3,041,812)</u>	
Total Investments	<u>\$ -</u>	<u>\$ 36,817,800</u>	<u>\$ 44,515,851</u>
Total Amount of Qualifying Assets, Line [11]	<u>\$2,060,953</u>	<u>\$ 39,359,526</u>	

**CONTINUING CARE RETIREMENT COMMUNITY  
DISCLOSURE STATEMENT  
GENERAL INFORMATION**

FACILITY NAME: HOLLENBECK PALMS  
 ADDRESS: 573 S. BOYLE AVENUE, LOS ANGELES, CA 90033 PHONE: (323) 263-6195  
 PROVIDER NAME: HOLLENBECK PALMS FACILITY OPERATOR: N/A  
 RELATED FACILITIES: N/A RELIGIOUS AFFILIATION: N/A  
 YEAR OPENED: 1895 NO. OF ACRES: 8 SINGLE STORY Y MULTI-STORY N/A OTHER: N/A  
 MILES TO SHOPPING CTR: 3 MILES TO HOSPITAL: 1

**NUMBER OF UNITS**

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	58	ASSISTED LIVING	SERVICES AVAILABLE
APARTMENTS - 1 BDRM	63	SKILLED NURSING	59
APARTMENTS - 2 BDRM	23	SPECIAL CARE	
COTTAGES/HOUSES		DESCRIPTION:>	
RLU OCCUPANCY (%) AT YEAR END	97%		

**TYPE OF OWNERSHIP:**  NOT FOR PROFIT  FOR PROFIT ACCREDITED:  Y  N BY: \_\_\_\_\_

**FORM OF CONTRACT:**  CONTINUING CARE  LIFE CARE  ENTRANCE FEE  FEE FOR SERVICE  
 ASSIGNMENT OF ASSETS  EQUITY  MEMBERSHIP  RENTAL

**REFUND PROVISIONS (check all that apply):**  85%  75%  50%  FULLY AMORTIZED  OTHER: \_\_\_\_\_

**RANGE OF ENTRANCE FEES:** \$ 43,600 TO \$ 349,400 **LONG-TERM CARE INSURANCE REQUIRED?**  Y  N

**HEALTHCARE BENEFIT INCLUDED IN CONTRACT:** Observation, Assessment, Medication Management, Assisted Living Care & Skilled Nursing Care

**ENTRY REQUIREMENTS:** MIN. AGE: 65 PRIOR PROFESSION: N/A OTHER: N/A

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

One resident representative and one resident member on the board  
 Attends all board meetings and sub-committee meetings and a member of Residents Executive Council

**FACILITY SERVICES AND AMENITIES**

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	Y	Y	HOUSEKEEPING TIMES/MONTH	N	Y
BILLIARD ROOM	Y		NUMBER OF MEALS/DAY	2 or 3	
BOWLING GREEN	N		SPECIAL DIETS AVAILABLE	Y	
CARD ROOMS	Y				
CHAPEL	Y		24-HOURS EMERGENCY RESPONSE	Y	
COFFEE SHOP	Y	Y	ACTIVITIES PROGRAM	Y	
CRAFT ROOMS	Y		ALL UTILITIES EXCEPT PHONE	Y	
EXERCISE ROOM	Y		APARTMENT MAINTENANCE	Y	
GOLF COURSE ACCESS	N		CABLE TV	Y	
LIBRARY	Y		LINENS FURNISHED	N	Y
PUTTING GREEN	Y		LINENS LAUNDERED	Y	
SHUFFLEBOARD	Y		MEDICATION MANAGEMENT	N	Y
SPA	Y		NURSING/WELLNESS CLINIC	Y	
SWIMMING POOL-INDOOR	N		PERSONAL HOME CARE	N	Y
SWIMMING POOL-OUTDOOR	N		TRANSPORTATION-PERSONAL	N	Y
TENNIS COURT	N		TRANSPORTATION-PREARRANGED	N	Y
WORKSHOP	Y		OTHER		
OTHER	COMPUTER ROOM, CONVENIENT STORE				

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

PROVIDER NAME: HOLLENBECK PALMS

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	\$ 14,527,149	\$ 14,847,772	\$ 17,149,887	\$ 15,430,605
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization & interest)	\$ (14,557,892)	\$ (14,722,094)	\$ (14,890,710)	\$ (15,139,918)
<b>NET INCOME FROM OPERATIONS</b>	\$ (30,743)	\$ 125,678	\$ 2,259,177	\$ 290,687
<b>LESS INTEREST EXPENSE</b>	\$ (973,221)	\$ (1,286,085)	\$ (930,932)	\$ (949,551)
<b>PLUS CONTRIBUTIONS</b>	\$ 2,466,210	\$ 975,348	\$ 1,118,663	\$ 485,567
<b>PLUS NON-OPERATING INCOME(EXPENSES)</b> (excluding extraordinary items)	\$ 3,054,467	\$ 2,484,533	\$ 3,597,150	\$ 3,944,876
<b>NET INCOME(LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	\$ 4,516,713	\$ 2,299,474	\$ 6,044,058	\$ 3,771,579
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (total deposits less refunds)	\$ 1,980,604	\$ 1,779,000	\$ 1,192,700	\$ 2,123,373

**DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END**

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	PERIOD
California Statewide	17,990,000	3.63%	12/01/2016	02/01/2037	20 Year
Communities Development Authority	9,430,000	4.58%	07/01/2014	02/01/2044	30 Year

**FINANCIAL RATIOS (Based on CCAC Formulas)**

	2016 CCAC MEDIANS 50TH PERCENTILE (optional)	2017	2018	2019
DEBT TO ASSET RATIO		0.3319	0.3121	0.3035
OPERATING RATIO		1.00	0.88	0.98
DEBT SERVICE COVERAGE RATIO		1.30	1.61	2.12
DAYS CASH-ON-HAND RATIO		1,097	977	977

**HISTORICAL MONTHLY SERVICE FEES  
AVERAGE FEE AND PERCENT CHANGE**

	2016	%	2017	%	2018	%	2019
STUDIO	\$ 2,621	4.01%	\$ 2,726	4.55%	\$ 2,850	4.25%	\$ 2,971
ONE BEDROOM	\$ 3,057	3.99%	\$ 3,179	4.56%	\$ 3,324	4.24%	\$ 3,465
TWO BEDROOM	\$ 3,910	3.99%	\$ 4,066	4.55%	\$ 4,251	4.26%	\$ 4,432
COTTAGE/HOUSE	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -
ASSISTED LIVING	\$ 1,757	3.98%	\$ 1,827	4.98%	\$ 1,918	5.01%	\$ 2,014
SKILLED NURSING	\$ 322	4.04%	\$ 335	5.07%	\$ 352	5.11%	\$ 370
SPECIAL CARE	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -

**COMMENTS FROM PROVIDER:**

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FORM 7-1				
REPORT ON CCRC MONTHLY SERVICE FEES				
		REIDENTIAL	ASSISTED	SKILLED
		LIVING	LIVING	NURSING
(1)	Monthly Service Fee At beginning of reporting period: (indicate range, if applicable)	\$3,001 To \$9,572	\$762 To \$3,453	\$8,190 To \$14,850
(2)	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.25% To 4.25%	5.0% To 5.0%	5.0% To 5.0%
	<input type="checkbox"/> Check here if monthly service fee at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community)			
(3)	Indicate the date the fee increase was implemented: <u>July 3, 2019</u> (If more than 1 increase was implemented, indicate the dates for each increase.)			
(4)	Check each of the appropriate boxes:			
	<input checked="" type="checkbox"/> Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.			
	<input checked="" type="checkbox"/> All affected residents were given written notice of this fee increase at least 30 days prior to its implementation. <b>Date of Notice: 05/31/2019 Method of Notice: Written Notice by Mail.</b>			
	<input checked="" type="checkbox"/> At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend. <b>Date of Meeting: 06/03/2019</b>			
	<input checked="" type="checkbox"/> At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.			
	<input checked="" type="checkbox"/> The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases. <b>Date of Notice: 05/20/2019</b>			
	<input checked="" type="checkbox"/> The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting. <b>Date of Posting: 05/20/2019 Location of Posting: Dining Room Lobby</b>			
(5)	On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase and compliance with the applicable Health and Safety Code sections.			



**FORM 7-1 MONTHLY CARE FEE INCREASE (MCFI)  
ANNUAL REPORTING FISCAL YEAR (F/Y) 2020**

<b>Line</b>	<b>Fiscal Years</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
1	F/Y 2018 Operating Expenses	(17,147)		
2	F/Y 2019 Operating Expenses (Adjustments if any, Explained Below)		(17,499)	
3	Projected F/Y 2020 Results of Operations (Adjustments Explained Below)			(17,677)
4	F/Y 2020 Anticipated MCF Revenue Base on Current and Projected Occupancy and Other without a MCFI			16,363
5	Projected F/Y 2020 (Net) Operating Results without a MCFI (Line 3 plus Line 4)			(1,314)
6	Projected F/Y 2020 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI 2.0% - 5.0%			16,993
7	Grand Total - Projected FY 2020 Net Operating Activity after 2.0% - 5.0% MCFI (Line 3 plus Line 6)			(684)

**Monthly Care Fee Increase 2.0% - 5.0%**

Adjustments Explained:

F/Y 2019 to F/Y 2020 line 6

Medicare and Medi-Cal revenues projected at 2% increase.

## **METHODOLOGY USED TO CALCULATE ADJUSTMENTS IN MONTHLY CARE FEES**

Monthly care fees are adjusted annually in connection with the preparation of the Revenue and Expense Budget for the coming fiscal year. In addition to analyzing actual results from prior fiscal years and the first 10 months of the current fiscal year, U.S. Financial Data obtained through reports from the St. Louis Federal Reserve Bank is considered. This data would specially include information from the Producer Price Index and the Employment Cost Index. The data from the U.S. Department of Labor dealing with wage rates is also included in the budget process. Monthly care fees are adjusted according to the conclusions drawn based on the information obtained.

Our Annual Budget for fiscal year ending June 30, 2020 was approved by the Board of Trustees on 05/24/2018. The budget as presented called for total revenues \$16,992,898 with total expenses \$17,676,907 with a decrease of net assets in the amount of \$684,009. A monthly rate increase of 2% for Medicare and Medi-Cal, 4.25% for Residential Care, 5.00% for Entrance Fees, 5.00% for Processing Fees, 5.00% for Assisted Residential Living, and 5% for Skilled Nursing Care was recommended.

**PER CAPITA COST**

Provider Name: HOLLENBECK PALMS  
Fiscal Year Ended: June 30, 2019

Total Operating Cost (Form 5-4)	17,498,774
Mean Number of all Residents (Form 1-1)	191
Per Capita cost	91,857



The California Statewide Communities Development Authority issued Revenue bonds in February 2007 for the purpose of financing the construction of Magnolia Court, a 32 unit RCFE building, in Hollenbeck Palms. The underwriter is Citigroup Global Markets Inc. and the guarantor is Radian Asset Assurance Inc. The bond funds were loaned to Hollenbeck Palms pursuant to a loan agreement between the California Statewide Community Development Authority, Hollenbeck Palms, and Wells Fargo Bank, the Trustee. The funds are held in a designated fund by Wells Fargo Bank, the Trustee. The Department of Social Services approved the project on September 13, 2006.

As of June 30, 2009, the Magnolia Court construction project was completed.

The California Statewide Communities Development Authority issued Revenue bonds in July 2014 for the purpose of financing the construction of the skilled nursing facility. The bond funds were loaned to Hollenbeck Palms pursuant to a loan agreement between the California Statewide Community Development Authority, Hollenbeck Palms, and Wells Fargo Bank, the Trustee. The funds are held in a designated fund by Wells Fargo Bank, the Trustee. The Office of Statewide Health Planning and Development approved the project on March 18, 2015.

The California Statewide Communities Development Authority issued Revenue bonds in December 2016 for the purpose of re-financing the 2007 Revenue Bonds. The bond funds were loaned to Hollenbeck Palms pursuant to a loan agreement between the California Statewide Community Development Authority, Hollenbeck Palms, and Wells Fargo Bank, the Trustee. The funds are held in a designated fund by Wells Fargo Bank, the Trustee.

The amount of \$2,060,953 on Form 5-5 line 1 of the annual reserve certification includes \$940,000 of principal and \$1,120,953 of interest paid for the bonds during the fiscal year ending 06/30/2019. The amount of interest has been added to our reserve amount.

# HOLLENBECK PALMS

## NOTES TO CONTINUING CARE RESERVE REPORT SCHEDULES AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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### 1. MISSION STATEMENT

Hollenbeck Palms (the “Palms”) is committed to providing a means of residence for those in the later years of their lives that encompasses a healthily environment of comfort, safety, and enjoyment; that attends to their physical, mental, and spiritual needs; and that is quick to respond to and assist in those needs whether immediate or long term, and to do so with great compassion, honesty, dignity, and genuine love. The Palms is recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c) (3) of the Internal Revenue Code (“IRC”) and is exempt from federal income taxes pursuant to Section 501(a) of the IRC.

### 2. OPERATIONS

**Operations** –The Palms is incorporated as a California nonprofit public benefit corporation, and owns and operates a retirement community and skilled nursing facility in Los Angeles, California. Residents receive residence, services and care under two plans. The facilities include approximately 145 residential units and 106 skilled nursing beds.

The Palms fulfills the need for housing by providing residential facilities that are specifically designed to meet the physical, recreational, social and similar needs of its residents. The residents’ need for health care is provided for in the Palms’ skilled nursing care units and through the Palms’ ongoing relationship with a network of physicians, health care professionals, and local hospitals.

The residents’ need for financial security is satisfied by the Palms’ operational policy providing its residents lifetime care at the lowest possible cost. The residents’ need for financial security is further fulfilled by the Palms’ policy of maintaining lifetime care for residents who become unable to pay the regular monthly fee.

Earnings of the Palms are used to improve the care provided and subsidize any residents unable to continue making monthly service fee payments. No part of the Palms’ net earning inures, directly or indirectly, to the benefit of any private shareholder or individual.

### 3. CONTINUING CARE RESERVE REPORT SCHEDULES

**Basis of Presentation** –California Health and Safety Code Section 1792 requires continuing care contract providers to establish and maintain statutory and refund reserves to ensure financial resources will be available to fulfill contractual obligations to residents. The continuing care reserve report schedules (the “Schedules”), which calculate reserve requirements, are prepared in accordance with the Annual Reserve Report Instructions provided by the State of California Department of Social Services. The Schedules are required to be submitted annually to the California Department of Social Services within four months of year-end.

### 4. EVIDENCE OF FIDELITY BOND

The Palms is in compliance with the fidelity bond requirement through their commercial crime insurance policy purchased through a commercial insurance carrier.

