

Hollenbeck Palms

***Continuing Care Reserve Report Schedules as
of and for the Year Ended June 30, 2021, and
Independent Auditors' Report***



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HOLLENBECK PALMS

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CERTIFICATION BY CHIEF EXECUTIVE OFFICER
Fiscal Year Ended June 30, 2021

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, 2021, and the related notes to the report.

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, 2021, 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 trustees 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 15, 2021

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	195
[2]	Number at end of fiscal year	178
[3]	Total Lines 1 and 2	373
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	187
All Residents		
[6]	Number at beginning of fiscal year	195
[7]	Number at end of fiscal year	178
[8]	Total Lines 6 and 7	373
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	187
[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]	\$19,808,114
[a]	\$1,556,700
[b]	\$1,106,409
[2]	\$2,663,109
[3]	\$17,145,006
[4]	100%
[5]	\$17,145,006
[6]	\$17,145

PROVIDER: HOLLENBECK PALMS
COMMUNITY: HOLLENBECK PALMS

**FORM 5-1
LONG-TERM DEBT INCURRED
IN A PRIOR FISCAL YEAR
(Including Balloon Debt)**

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Principal Paid During Fiscal Year	Interest Paid During Fiscal Year	Credit Enhancement Premiums Paid in Fiscal Year	Total Paid (columns (b) + (c) + (d))
1	2/23/2007	\$800,000	624,904	\$0	\$1,424,904
2	7/14/2014	\$220,000	422,505	\$0	\$642,505
3	5/1/2020	\$7,623	\$0	\$0	\$7,623
4	6/5/2020	\$0	\$59,000	\$0	\$59,000
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:			\$1,106,409	\$0	\$2,134,032

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

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

PROVIDER: HOLLENBECK PALMS

HOLLENBECK PALMS
TWO-WAY RECONCILIATION IN SUPPORT OF FORM 5-1
For the fiscal year ended June 30, 2021

AMOUNTS FROM FINANCIAL STATEMENTS

Total cash paid for bond interest expense As reported on Form 5-1	\$ 1,106,409
Amount of cash paid reducing accrued interest expense for amounts accrued in prior year	(436,421)
Increase to accrued interest expense (5 months accrual of 6 months interest due for February to July 2021)	420,114
Less: bond interest capitalized in fixed assets during constuction period	(59,000)
Add: amortization of capitalized costs of issuance	<u>31,245</u>
Bond interest expense per Statement of Functional Expense, Page 7:	<u><u>\$ 1,062,347</u></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
TOTAL:		\$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**

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	<u>\$2,134,032</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	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	<u><u>\$2,134,032</u></u>

PROVIDER: HOLLENBECK PALMS

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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$19,808,114</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$1,106,409</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u> </u>	
	c. Depreciation	<u>\$1,556,700</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>\$2,663,109</u>
4	Net Operating Expenses		<u>\$17,145,005</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$46,973</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$3,522,975</u></u>

PROVIDER: HOLLENBECK PALMS
COMMUNITY: HOLLENBECK PALMS

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: HOLLENBECK PALMS

Fiscal Year Ended: 6/30/2021

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the fiscal year ended 6/30/2021 and are in compliance with those requirements.

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

	Amount
[1] Debt Service Reserve Amount	\$2,134,032
[2] Operating Expense Reserve Amount	\$3,522,975
[3] Total Liquid Reserve Amount:	\$5,657,007

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

<u>Qualifying Asset Description</u>	Amount (market value at end of quarter)	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	2,134,032	803,135
[5] Investment Securities		12,476,800
[6] Equity Securities		26,798,008
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other:		
(describe qualifying asset)		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	2,134,032 [12]	40,077,943
Reserve Obligation Amount: [13]	2,134,032 [14]	3,522,975
Surplus/(Deficiency): [15]	- [16]	36,554,968

Signature:

(Authorized Representative)

(Title)

Date: _____

HOLLENBECK PALMS
TWO-WAY RECONCILIATION IN SUPPORT OF FORM 5-5
For the fiscal year ended June 30, 2021

	Debt Service Reserve	Operating Reserve	Total
AMOUNTS FROM FINANCIAL STATEMENTS:			
Cash and cash equivalents, per Statement of Financial Position			\$ 933,031
Less amounts restricted by donors for specific purposes			(168,029)
Plus amounts board designated for investment in long term purposes			<u>2,172,164</u>
			<u>\$ 2,937,166</u>
Allocated to Debt Service Reserve, Line [4]	\$ 2,134,032	\$ -	\$ 2,134,032
Allocated to Operating Reserve, Line [4]		803,135	803,135
Total Cash and cash equivalents on Form 5-5	<u>\$ 2,134,032</u>	<u>\$ 803,135</u>	<u>\$ 2,937,166</u>
Investments, per Statement of Financial Position			
Investments			\$ 38,844,301
Plus amounts board designated or restricted for investment in long term purposes			<u>8,028,895</u>
			<u>\$ 46,873,196</u>
Components of Investments, per Footnote #6			
Cash and Money Market (restricted use; not included on Form 5-5)	\$	\$	\$ 117,208
Bank Deposits (not included on Form 5-5)			504,974
Mutual Funds included on Form 5-5, Operating Reserve, Line [5]		6,663,151	6,663,151
U.S. Treasury Securities included on Form 5-5, Operating Reserve, Line [5]		5,687,872	5,687,872
Stocks, included on Form 5-5, Operating Reserve, Line [6]		26,798,008	26,798,008
Corporate Bonds, included on Form 5-5, Operating Reserve, Line [5]		5,540,224	5,540,224
Mortgage-backed Securities included on Form 5-5, Operating Reserve, Line [5]		497,204	497,204
Municipal Bonds included on Form 5-5, Operating Reserve, Line [5]		899,884	899,884
Annuity & Life insurance policies (restricted use; not reported on Form 5-5)			162,840
Oil Interest (not reported on Form 5-5)			1,831
Less 457B accounts		(355,094)	
Less assigned assets		(3,620,390)	
Less donor restricted amounts		<u>(2,836,051)</u>	
Total Investments	<u>\$ -</u>	<u>\$ 39,274,808</u>	<u>\$ 46,873,196</u>
Total Amount of Qualifying Assets, Line [11]	<u>\$ 2,134,032</u>	<u>\$ 40,077,943</u>	

Note: Amounts designated by the Board are internal designations that may be redesignated by the Board for debt service or operations as needed.

**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: _____ 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	<u>60</u>	ASSISTED LIVING	SERVICES AVAILABLE
APARTMENTS - 1 BDRM	<u>62</u>	SKILLED NURSING	<u>59</u>
APARTMENTS - 2 BDRM	<u>23</u>	SPECIAL CARE	_____
COTTAGES/HOUSES	_____	DESCRIPTION:>	_____
RLU OCCUPANCY (%) AT YEAR END	<u>92%</u>		

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: \$ 48,100 TO \$ 385,250 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	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING TIMES/MONTH	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>		NUMBER OF MEALS/DAY	<input type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>		SPECIAL DIETS AVAILABLE	<input type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>				
CHAPEL	<input checked="" type="checkbox"/>		24-HOURS EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>		ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>		APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>		CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>		LINENS FURNISHED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>		LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>		MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>		NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>		PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>		TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>		TRANSPORTATION-PREARRANGED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>		OTHER		
OTHER	<u>COMPUTER ROOM, CONVENIENT STORE</u>				

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 2018	FYE 2019	FYE 2020	FYE 2021
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	\$ 17,149,887	\$ 15,430,605	\$ 16,421,780	\$ 18,874,691
LESS OPERATING EXPENSES (excluding depreciation, amortization & interest)	\$ (14,890,710)	\$ (15,139,918)	\$ (16,060,115)	\$ (17,074,881)
NET INCOME FROM OPERATIONS	\$ 2,259,177	\$ 290,687	\$ 361,665	\$ 1,799,810
LESS INTEREST EXPENSE	\$ (930,932)	\$ (949,551)	\$ (1,100,542)	\$ (1,062,347)
PLUS CONTRIBUTIONS	\$ 1,118,663	\$ 485,567	\$ 326,014	\$ 1,974,487
PLUS NON-OPERATING INCOME(EXPENSES) (excluding extraordinary items)	\$ 3,597,150	\$ 3,944,876	\$ 986,554	\$ 9,693,446
NET INCOME(LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	\$ 6,044,058	\$ 3,771,579	\$ 573,690	\$ 12,405,396
NET CASH FLOW FROM ENTRANCE FEES (total deposits less refunds)	\$ 1,192,700	\$ 2,123,373	\$ 2,748,500	\$ 940,103

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	17,215,000	3.63%	12/01/2016	02/01/2037	20 Year
Communities Dev Authority	9,225,000	4.58%	07/01/2014	02/01/2044	30 Year
Western Alliance Bank	3,980,078	5.00%	06/05/2020	02/01/2040	20 Year

FINANCIAL RATIOS (Based on CCAC Formulas)

	2016 CCAC MEDIANS 50TH PERCENTILE (optional)	2019	2020	2021
DEBT TO ASSET RATIO		0.3035	0.2991	0.2614
OPERATING RATIO		0.98	0.98	0.91
DEBT SERVICE COVERAGE RATIO		2.12	1.80	1.73
DAYS CASH-ON-HAND RATIO		977	846	935

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

	2018	%	2019	%	2020	%	2021	%
STUDIO	\$ 2,850	4.55%	\$ 2,971	4.25%	\$ 3,097	4.24%	\$ 3,221	4.00%
ONE BEDROOM	\$ 3,324	4.56%	\$ 3,465	4.24%	\$ 3,612	4.24%	\$ 3,756	3.99%
TWO BEDROOM	\$ 4,251	4.55%	\$ 4,432	4.26%	\$ 4,620	4.24%	\$ 4,805	4.00%
COTTAGE/HOUSE	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%
ASSISTED LIVING	\$ 1,918	4.98%	\$ 2,014	5.01%	\$ 2,115	5.01%	\$ 2,221	5.01%
SKILLED NURSING	\$ 352	5.07%	\$ 370	5.11%	\$ 389	5.14%	\$ 408	4.88%
SPECIAL CARE	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%

COMMENTS FROM PROVIDER:

**FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES**

	REDISENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
¶(1) Monthly Service Fee At beginning of reporting period: (indicate range, if applicable)	\$3,121 To \$9,955	\$800 To \$3,626	\$8,610 To \$15,600
¶(2) Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.00% To 4.00%	5.0% To 5.0%	5.0% To 5.0%

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: July 1, 2020
(If more than 1 increase was implemented, indicate the dates for each increase.)

¶(4) Check each of the appropriate boxes:

Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

All affected residents were given written notice of this fee increase at least 30 days prior to its implementation. **Date of Notice: 05/29/2020 Method of Notice: Written Notice by mail**

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. **Date of Meeting: 05/29/2020**

At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases. **Date of Notice: 05/15/2020**

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. **Date of Posting: 05/15/2020 Location of Posting: Dining Room Lobby**

¶(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) 2021**

Line	Fiscal Years	2020	2021	2022
1	F/Y 2019 Operating Expenses ²⁰	(18,734)		
2	F/Y 2021 Operating Expenses (Adjustments if any, Explained Below)		(19,808)	
3	Projected F/Y 2022 Results of Operations (Adjustments Explained Below)			(21,555)
4	F/Y 2022 Anticipated MCF Revenue Base on Current and Projected Occupancy and Other without a MCFI			16,077
5	Projected F/Y 2022 (Net) Operating Results without a MCFI (Line 3 plus Line 4)			(5,478)
6	Projected F/Y 2022 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI 2.0% - 5.0%			12,513
7	Grand Total - Projected FY 2025 Net Operating Activity after 2.0% - 5.0% MCFI (Line 3 plus Line 6)			(9,042)

Monthly Care Fee Increase 2.0% - 5.0%

Adjustments Explained:

F/Y 2021 to F/Y 2022

- Line 3 Projecting Expenses from New Memory Care Unit
- Line 4 Projecting revenue from New Memory Care Unit
- 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 8 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, 2022 was approved by the Board of Trustees on 04/20/2021. The budget as presented called for total revenues \$21,249,828 with total expenses \$21,555,213 with a decrease of net assets in the amount of \$305,385. A monthly rate increase of 2% for Medicare and Medi-Cal, 5.0% for Residential Care, 5.00% for Entrance Fees, 5.00% for Processing Fees, 6.00% for Assisted Residential Living, and 5% for Skilled Nursing Care was recommended.

FYE 06/30/2021 Revenues and Expenses Budget Details as follow:

Revenue	
Skilled Nursing	\$ 6,967,360
Residential & Memory Care	\$ 10,862,872
Others (Investment, Contribution & Misc.)	<u>\$ 3,419,596</u>
Total	\$21,249,828
Expenses	
Departmental Expenses	\$18,485,484
Depreciation	\$ 1,646,514
Interest & Amortization Expenses	<u>\$ 1,423,215</u>
Total	\$21,555,213
Net Asset Change	<u>(\$305,385)</u>

PER CAPITA COST

Provider Name: HOLLENBECK PALMS
Fiscal Year Ended: June 30, 2021

Total Operating Cost (Form 5-4)	19,808,114
Mean Number of all Residents (Form 1-1)	187
Per Capita cost	106,210



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 \$2,134,032 on Form 5-5 line 1 of the annual reserve certification includes \$1,027,623 of principal and \$1,106,409 of interest paid for the bonds during the fiscal year ending June 30, 2021. 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, 2021

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 59 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.

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