

# ***Hollenbeck Palms***

***Continuing Care Reserve Report Schedules as  
of and for the Year Ended June 30, 2023, and  
Independent Auditors' Report***



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# HOLLENBECK PALMS

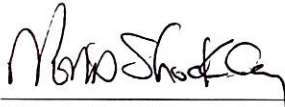
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**CERTIFICATION BY CHIEF EXECUTIVE OFFICER**  
**Fiscal Year Ended June 30, 2023**

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

### **Report on the Audit of the Continuing Care Reserve Report**

#### ***Opinion***

We have audited the accompanying continuing care reserve report of Hollenbeck Palms ("Hollenbeck"), a California Not-For-Profit Corporation, which comprise the Forms 5-1 through 5-5 for the year ended June 30, 2023 and the notes to the continuing care reserve report.

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 at June 30, 2023, in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Continuing Care Reserve Report. We are required to be independent of Hollenbeck and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Basis of Accounting**

We draw attention to Note 1 of the continuing care reserve report, which describes the 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's 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. As a result the continuing care reserve report may not be suitable for another purpose. Our opinion is not modified with respect to that matter.

#### **Responsibilities of Management 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 prescribed by California Health and Safety Code Section 1792 and 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.

### **Auditors' Responsibilities for the Audit of the Continuing Care Reserve Report**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the continuing, 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 continuing care reserve report.
- 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 Hollenbeck's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the continuing care reserve report.

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.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on Forms 5-1 through 5-5. The Certification By Chief Executive Office, the Resident Population(Form 1-1) and Annual Provider Fee (Form 1-2), the Continuing Care Retirement Community Disclosure Statement, the Report on CCRC Monthly Service Fees (Form 7-1), the Addendum Methodology Used to Calculate Adjustments in Monthly Care Fees, the Per Capita Cost, and the Bonds Issuance Statement, which are the responsibility of management, are presented for the purposes of additional analysis. Such information has not been

subjected to the auditing procedures applied in the audit of Forms 5-1 through 5-5, and accordingly, we do not express an opinion or provide any assurance on them.

**Restriction of Use**

This report is intended solely for the information and use of the board of directors and management of Hollenbeck 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Glendora, California  
November 15, 2023



**FORM 1-1**  
**RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	185
[2]	Number at end of fiscal year	195
[3]	Total Lines 1 and 2	380
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	190
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	185
[7]	Number at end of fiscal year	195
[8]	Total Lines 6 and 7	380
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	190
[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	\$23,654,961
[a] Depreciation	\$1,797,092
[b] Debt Service (Interest Only)	\$1,195,918
[2] Subtotal (add Line 1a and 1b)	\$2,993,010
[3] Subtract Line 2 from Line 1 and enter result.	\$20,661,951
[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)	\$20,661,951
[6] <b>Total Amount Due</b> (multiply Line 5 by .001)	\$20,662
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	\$860,000	\$565,736	\$0	\$1,425,736
2	7/14/2014	\$240,000	\$401,894		\$641,894
3	6/5/2020	\$184,642	\$259,722		\$444,364
4	6/6/2021	\$8,311	\$0		\$8,311
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>			\$1,227,352	\$0	\$2,520,305

(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, 2023

AMOUNTS FROM FINANCIAL STATEMENTS

Total cash paid for interest expense on debt As reported on Form 5-1	\$ 1,227,352
Amount of cash paid reducing accrued interest expense for amounts accrued in prior year	(521,397)
Increase to accrued interest expense (5 months accrual of 6 months interest due for February to July 2023)	489,963
Less: Interest capitalized in fixed assets during constuction period	-
Add: amortization of capitalized costs of issuance	<u>31,245</u>
Debt interest expense per Statement of Functional Expense, Page 6 Total:	<u>\$ 1,227,163</u>
Bond interest expense	\$ 971,288
Loan interest expense	<u>255,875</u>
	<u>\$ 1,227,163</u>

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 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

(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)	\$2,520,305
2	Total from Form 5-2 bottom of Column (e)	\$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	N/A
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$2,520,305

PROVIDER: HOLLENBECK PALMS



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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$23,654,961
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	\$1,227,352	
b.	Credit enhancement premiums paid for long-term debt (see instructions)		
c.	Depreciation	\$1,797,092	
d.	Amortization		
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract		
f.	Extraordinary expenses approved by the Department		
3	Total Deductions		\$3,024,444
4	Net Operating Expenses		\$20,630,517
5	Divide Line 4 by 365 and enter the result.		\$56,522
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.		\$4,239,147

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

**FORM 5-5  
ANNUAL RESERVE CERTIFICATION**

Provider Name: HOLLENBECK PALMS

Fiscal Year Ended: 6/30/2023

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the fiscal year ended 6/30/2023 and are in compliance with those requirements.

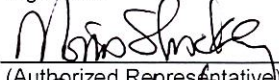
Our liquid reserve requirements, computed using the audited financial statements for the fiscal year as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$2,520,305</u>
[2] Operating Expense Reserve Amount	<u>\$4,239,147</u>
[3] <b>Total Liquid Reserve Amount:</b>	<u><b>\$6,759,452</b></u>

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>2,520,305</u>	<u>113,756</u>
[5] Investment Securities	<u></u>	<u>14,804,247</u>
[6] Equity Securities	<u></u>	<u>20,712,767</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>(describe qualifying asset)</u>		
<b>Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]</b>	2,520,305 [12]	35,630,770
<b>Reserve Obligation Amount: [13]</b>	2,520,305 [14]	4,239,147
<b>Surplus/(Deficiency): [15]</b>	- [16]	31,391,623

Signature:

  
(Authorized Representative)  
President

Date:

(Title)

HOLLENBECK PALMS  
TWO-WAY RECONCILIATION IN SUPPORT OF FORM 5-5  
For the fiscal year ended June 30, 2023

	Debt Service Reserve	Operating Reserve	Total
AMOUNTS FROM FINANCIAL STATEMENTS:			
Cash and cash equivalents, per Statement of Financial Position			\$ 1,082,601
Less amounts restricted by donors for specific purposes			(97,463)
Plus amounts board designated for investment in long term purposes			830,911
Plus amounts designated for debt service			818,012
			<u>\$ 2,634,061</u>
Allocated to Debt Service Reserve, Line [4]	\$ 2,520,305		2,520,305
Allocated to Operating Reserve, Line [4]		\$ 113,756	113,756
Total Cash and cash equivalents on Form 5-5	<u>\$ 2,520,305</u>	<u>\$ 113,756</u>	<u>\$ 2,634,061</u>
Investments, per Statement of Financial Position			
Investments			\$ 35,103,795
Plus amounts board designated or restricted for investment in long term purposes			6,499,190
			<u>\$ 41,602,985</u>
Components of Investments, per Footnote #6			
Cash and Money Market (restricted use; not included on Form 5-5)	\$	\$	\$ 37,798
Bank Deposits (not included on Form 5-5)			-
Mutual Funds included on Form 5-5, Operating Reserve, Line [5]		2,112,988	2,112,988
Exchange Traded Funds included on Form 5-5, Operating Reserve, Line [5]		195,715	195,715
U.S. Treasury Securities included on Form 5-5, Operating Reserve, Line [5]		9,676,843	9,676,843
Stocks, included on Form 5-5, Operating Reserve, Line [6]		20,712,767	20,712,767
Corporate Bonds, included on Form 5-5, Operating Reserve, Line [5]		6,678,773	6,678,773
Mortgage-backed Securities included on Form 5-5, Operating Reserve, Line [5]		1,215,848	1,215,848
Municipal Bonds included on Form 5-5, Operating Reserve, Line [5]		849,503	849,503
Annuity & Life insurance policies (restricted use; not reported on Form 5-5)			120,919
Oil Interest (not reported on Form 5-5)			1,831
Less 457B accounts		(429,685)	
Less assigned assets		(3,747,741)	
Less donor restricted amounts (Plant replacement fund, construction loan collateral, net assets w/donor restrictions)		(1,747,997)	
Total Investments	<u>\$ -</u>	<u>\$ 35,517,014</u>	<u>\$ 41,602,985</u>
Total Amount of Qualifying Assets, Line [11]	<u>\$ 2,520,305</u>	<u>\$ 35,630,770</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>59</u>	ASSISTED LIVING	<u>SERVICES AVAILABLE</u>
APARTMENTS - 1 BDRM	<u>62</u>	SKILLED NURSING	<u>59</u>
APARTMENTS - 2 BDRM	<u>23</u>	SPECIAL CARE	_____
MEMORY CARE	<u>32</u>	DESCRIPTION: >	_____
RLU OCCUPANCY (%) AT YEAR END	<u>82%</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: \$ 53,500 TO \$ 428,800 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"/> N	<input checked="" type="checkbox"/> Y
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<input type="checkbox"/> 2 or 3	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/> N	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/> Y	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOURS EMERGENCY RESPONSE	<input checked="" type="checkbox"/> Y	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> Y	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/> Y	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/> Y	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/> Y	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/> N	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/> Y	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/> N	<input checked="" type="checkbox"/> Y
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/> Y	<input type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/> N	<input checked="" type="checkbox"/> Y
SPA	<input type="checkbox"/> N	<input type="checkbox"/>	NURSING/WEALTH CLINIC	<input checked="" type="checkbox"/> Y	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/> N	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/> N	<input checked="" type="checkbox"/> Y
SWIMMING POOL-OUTDOOR	<input type="checkbox"/> N	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/> N	<input checked="" type="checkbox"/> Y
TENNIS COURT	<input type="checkbox"/> N	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input type="checkbox"/> N	<input checked="" type="checkbox"/> Y
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER		
OTHER	<u>COMPUTER ROOM, CONVENIENT STORE</u>		<u>INTERNET ACCESS</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 2020	FYE 2021	FYE 2022	FYE 2023
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	\$ 16,421,780	\$ 18,874,691	\$ 19,781,498	\$ 23,002,058
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization & interest)	\$ (16,060,115)	\$ (17,074,881)	\$ (17,654,877)	\$ (20,501,946)
<b>NET INCOME FROM OPERATIONS</b>	\$ 361,665	\$ 1,799,810	\$ 2,126,621	\$ 2,500,112
<b>LESS INTEREST EXPENSE</b>	\$ (1,100,542)	\$ (1,062,347)	\$ (1,032,605)	\$ (1,195,918)
<b>PLUS CONTRIBUTIONS</b>	\$ 326,014	\$ 1,974,487	\$ 739,891	\$ 1,632,605
<b>PLUS NON-OPERATING INCOME(EXPENSES)</b> (excluding extraordinary items)	\$ 986,554	\$ 9,693,446	\$ (1,190,477)	\$ 3,606,246
<b>NET INCOME(LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	\$ 573,690	\$ 12,405,396	\$ 643,430	\$ 6,543,044
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (total deposits less refunds)	\$ 2,748,500	\$ 940,103	\$ 2,108,545	\$ 2,760,600

**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	15,585	3.63%	12/01/2016	02/01/2037	20 Year
Communities Dev Authority	8,775,000	4.58%	07/01/2014	02/01/2044	30 Year
Western Alliance Bank	5,194,444	5.00%	06/05/2020	02/01/2040	20 Year

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

	2016 CCAC MEDIANS 50TH PERCENTILE (optional)	2021	2022	2023
DEBT TO ASSET RATIO		0.2614	0.2634	0.3101
OPERATING RATIO		0.91	0.90	0.90
DEBT SERVICE COVERAGE RATIO		1.73	2.07	2.10
DAYS CASH-ON-HAND RATIO		935	788	677

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

	2020	%	2021	%	2022	%	2023	%
STUDIO	\$ 3,097	4.24%	\$ 3,221	4.00%	\$ 3,380	4.94%	\$ 3,583	6.01%
ONE BEDROOM	\$ 3,612	4.24%	\$ 3,756	3.99%	\$ 3,940	4.90%	\$ 4,176	5.99%
TWO BEDROOM	\$ 4,620	4.24%	\$ 4,805	4.00%	\$ 5,050	5.10%	\$ 5,353	6.00%
COTTAGE/HOUSE	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%
ASSISTED LIVING	\$ 2,115	5.01%	\$ 2,221	5.01%	\$ 2,350	5.81%	\$ 2,490	5.96%
SKILLED NURSING	\$ 389	5.14%	\$ 408	4.88%	\$ 430	5.39%	\$ 456	6.05%
SPECIAL CARE	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%

**COMMENTS FROM PROVIDER:**

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**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)	\$3,477 To \$11,077	\$900 To \$4,070	\$9,540 To \$17,490
(2) Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	6.00% To 6.00%	6.0% To 6.0%	6.0% To 6.0%

☐ 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, 2022  
(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: 05/30/2022 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: 05/27/2022**

☒ 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: 05/13/2022**

☒ 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: 05/13/2022 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) 2023**

Line	Fiscal Years	2022	2023	2024
1	F/Y 2022 Operating Expenses <sup>20</sup>	(20,408)		
2	F/Y 2023 Operating Expenses (Adjustments if any, Explained Below)		(23,291)	
3	Projected F/Y 2024 Results of Operations (Adjustments Explained Below)			(24,127)
4	F/Y 2024 Anticipated MCF Revenue Base on Current and Projected Occupancy and Other without a MCFI			15,794
5	Projected F/Y 2024 (Net) Operating Results without a MCFI (Line 3 plus Line 4)			(8,333)
6	Projected F/Y 2024 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI 6.0%			19,036
7	Grand Total - Projected FY 2024 Net Operating Activity after 6.0% MCFI (Line 3 plus Line 6)			(5,091)

**Monthly Care Fee Increase 7.25%**

Adjustment Explained:

Line 2 - deducted ERC professional fees and Worker's Retention Payment in the amount of \$441,105

FYE 2023 to FYE 2024

Census projection from 185 to 218 - expecting to fill up New Memory Care Unit and sell Residential vacant units.

## 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 the fiscal year ending June 30, 2024, was approved by the Board of Trustees on 04/18/2023. The budget as presented called for total revenues \$24,597,651 with total expenses \$24,127,436 with an increase of net assets in the amount of \$470,214. A monthly rate increases of 2% for Medicare and Medi-Cal, 6.25% for Residential Care, 6.25% for Entrance Fees, 6.25% for Processing Fees, 7.25% for Assisted Residential Living, and 6.25% for Skilled Nursing Care was recommended.

FYE 06/30/2024 Revenues and Expenses Budget Details as follow:

Revenue	
Skilled Nursing	\$ 8,165,009
Residential & Memory Care	\$ 12,688,768
Others (Investment, Contribution & Misc.)	<u>\$ 3,743,874</u>
Total	\$24,597,651
Expenses	
Departmental Expenses	\$20,925,819
Depreciation	\$ 1,882,608
Interest & Amortization Expenses	<u>\$ 1,319,009</u>
Total	\$24,127,436
Net Asset Change	<u>\$470,214</u>
Total	\$23,194,863
Net Asset Change	<u>\$9,400</u>

### PER CAPITA COST

Provider Name: HOLLENBECK PALMS

Fiscal Year Ended: June 30, 2023

Total Operating Cost (Form 5-4)	23,654,961
Mean Number of all Residents (Form 1-1)	190
Per Capita cost	124,500





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 was Citigroup Global Markets Inc. and the guarantor was 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 were 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 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 California Statewide Communities Development Authority issued Revenue bonds in July 2014 for the purpose of financing improvements to 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 were 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. As of June 30, 2019, the skilled nursing facility project was completed.

Hollenbeck Palms entered into a secured construction loan on June 5, 2020, with Western Alliance Bank. The loan proceeds were used for construction of the Memory Care facility.

The Department of Social Services approved the project. As of April 30, 2022, the Memory Care facility was completed.

The amount of \$2,520,305 on Form 5-5 line 1 of the annual reserve certification includes \$1,284,642 of principal and \$1,227,352 of interest paid for the bonds and loan during the fiscal year ending June 30, 2023.

# HOLLENBECK PALMS

## NOTES TO CONTINUING CARE RESERVE REPORT SCHEDULES AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

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### 1. MISSION STATEMENT

Hollenbeck Palms (“Hollenbeck”) is committed to providing a means of residence for those in the later years of their lives that encompasses a healthy 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. Hollenbeck 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* –Hollenbeck 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, 33 memory care beds, and 59 skilled nursing beds.

Hollenbeck 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 Hollenbeck’s skilled nursing care units and through the Hollenbeck’s ongoing relationship with a network of physicians, health care professionals, and local hospitals.

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

Earnings of Hollenbeck are used to improve the care provided and subsidize any residents unable to continue making monthly service fee payments. No part of Hollenbeck’s 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

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





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