

**PARADISE VALLEY
ESTATES**

NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
DBA PARADISE VALLEY ESTATES

STATE OF CALIFORNIA DEPARTMENT OF SOCIAL SERVICE

ANNUAL REPORT

CONTINUING CARE LICENSING DIVISION
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022

PART 1

ANNUAL PROVIDER FEES

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	520
[2]	Number at end of fiscal year	519
[3]	Total Lines 1 and 2	1,039
[4]	Multiply Line 3 by “.50” and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	520
All Residents		
[6]	Number at beginning of fiscal year	530
[7]	Number at end of fiscal year	532
[8]	Total Lines 6 and 7	1,062
[9]	Multiply Line 8 by “.50” and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	531
[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).	97.9%

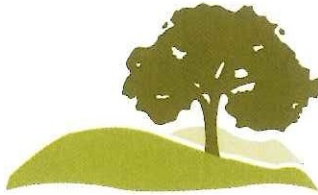
FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>	<u>TOTAL</u>
[1] Total Operating Expenses (including depreciation and debt service – interest only)	52,517,364
[a] Depreciation	7,733,741
[b] Debt Service (Interest Only)	6,008,552
[2] Subtotal (add Line 1a and 1b)	13,742,293
[3] Subtract Line 2 from Line 1 and enter result.	38,775,071
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	97.9%
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	37,960,794
[6] Total Amount Due (multiply Line 5 by .001)	x .001 \$37,960.79

PROVIDER: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
COMMUNITY: PARADISE VALLEY ESTATES

PART 2

CERTIFICATION BY CHIEF EXECUTIVE OFFICER



PARADISE VALLEY ESTATES

May 31, 2023

State of California
Continuing Care Contracts Branch
California Department of Social Services
744 P. Street, M.S. 9-14-91
Sacramento, California 95814

This Certification Notice is submitted by the Northern California Retired Officers Community, dba Paradise Valley Estates; to The State of California, Community Care Licensing Division, Continuing Care Contracts Branch, pursuant to the requirements of the Continuing Care Contract Annual Reserve Report, for the year ended December 31, 2022.

To the best of my knowledge, after a review of the enclosed information, I certify the following to be true, complete and correct:

1. The Annual Report is correct.
2. Each continuing care contract form in use or offered for new residents has been approved by the Department.
3. The required reserves are being maintained.

Authorized Representative

Kevin L. Burke
Chief Executive Officer

PART 3

EVIDENCE OF FIDELITY BOND

ACORDTM**CERTIFICATE OF LIABILITY INSURANCE**

DATE (MM/DD/YYYY)

12/22/2022

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an **ADDITIONAL INSURED**, the policy(ies) must have **ADDITIONAL INSURED** provisions or be endorsed. If **SUBROGATION IS WAIVED**, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer any rights to the certificate holder in lieu of such endorsement(s).

PRODUCER USI Insurance Services, LLC Lic # OG11911 10940 White Rock Rd 2nd Fl Rancho Cordova, CA 95670	CONTACT NAME: Alicia Montore PHONE (A/C, No, Ext): 916 589-8000 FAX (A/C, No): E-MAIL ADDRESS: alicia.montore@usi.com														
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A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY			840221221AHL	12/01/2022	12/01/2023	EACH OCCURRENCE
	<input checked="" type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence)
	<input checked="" type="checkbox"/> BI/PD Ded: 25,000						MED EXP (Any one person)
	GEN'L AGGREGATE LIMIT APPLIES PER:						PERSONAL & ADV INJURY
	<input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC						GENERAL AGGREGATE
	OTHER:						PRODUCTS - COMP/OP AGG
D	AUTOMOBILE LIABILITY			ACPBA3049611283	12/01/2022	12/01/2023	COMBINED SINGLE LIMIT (Ea accident)
	<input checked="" type="checkbox"/> ANY AUTO OWNED AUTOS ONLY						BODILY INJURY (Per person)
	<input checked="" type="checkbox"/> HIRED AUTOS ONLY						BODILY INJURY (Per accident)
	<input type="checkbox"/> SCHEDULED AUTOS						PROPERTY DAMAGE (Per accident)
	<input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY						
A	UMBRELLA LIAB			82917K221AHL	12/01/2022	12/01/2023	EACH OCCURRENCE
B	<input checked="" type="checkbox"/> EXCESS LIAB			XSE78920501	12/01/2022	12/01/2023	AGGREGATE
	DED <input checked="" type="checkbox"/> RETENTION \$0						
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY			WCE55348103	01/01/2023	01/01/2024	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	Y/N					E.L. EACH ACCIDENT
	If yes, describe under DESCRIPTION OF OPERATIONS below	Y	N/A				E.L. DISEASE - EA EMPLOYEE
							E.L. DISEASE - POLICY LIMIT

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Evidence of Insurance. The Commercial General Liability includes Professional Liability Coverage with limits at \$1,000,000 Each Claim & \$3,000,000 Aggregate. Retro-Date: 12/01/2016.

CERTIFICATE HOLDER**CANCELLATION**

Northern California Retired Officers Community
2600 Estates Drive
Fairfield, CA 94533

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

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CERTIFICATE HOLDER**CANCELLATION**

Office of Statewide Health
 Planning & Development
 Cal-Mortgage Loan Insurance Division
 2020 W El Camino Ave
 Sacramento, CA 95833-2988

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AUTHORIZED REPRESENTATIVE

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CERTIFICATE HOLDER**CANCELLATION**

State of California - Health & Human Services Ag Dept of Social Services, Community Care Licensing 101 Golf Course Dr A-230 Rohnert Park, CA 94928	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE 
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PART 4

AUDITED FINANCIAL STATEMENTS

**Northern California
Retired Officers Community
d.b.a. Paradise Valley Estates**

Financial Statements

December 31, 2022 and 2021

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

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December 31, 2022 and 2021

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Statements of Operations and Changes in Net Assets	4
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Notes to Financial Statements	6

Independent Auditors' Report

To the Board of Directors of
Northern California Retired Officers Community d.b.a. Paradise Valley Estates

Opinion

We have audited the financial statements of Northern California Retired Officers Community d.b.a. Paradise Valley Estates (a California nonprofit public benefit Company) (PVE), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PVE as of December 31, 2022, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 Financial Statements section of our report. We are required to be independent of PVE 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.

Prior Period Financial Statements

The financial statements of PVE as of December 31, 2021 were audited by other auditors whose report dated March 28, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 PVE's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PVE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PVE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

San Francisco, California
April 28, 2023

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Balance Sheets

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,386,644	\$ 1,687,571
Assets whose use is limited	8,232,936	9,677,537
Investments	23,891,305	42,323,877
Accounts receivable, net	1,930,260	1,517,682
Entrance fees receivable	1,124,500	563,000
Prepaid expenses and other current assets	<u>1,697,340</u>	<u>1,647,375</u>
Total current assets	39,262,985	57,417,042
Assets Whose Use is Limited	17,258,253	20,500,182
Property and Equipment, Net	<u>174,374,215</u>	<u>178,043,773</u>
Total assets	<u><u>\$ 230,895,453</u></u>	<u><u>\$ 255,960,997</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,339,668	\$ 917,037
Retainage payable	3,290,979	3,853,234
Accrued personnel expenses	1,279,309	1,291,901
Accrued compensated annual leave	1,392,035	1,282,762
Accrued interest	2,581,789	2,694,480
Current portion of long-term debt	<u>3,320,000</u>	<u>3,175,000</u>
Total current liabilities	13,203,780	13,214,414
Long-Term Debt, Net	108,236,264	118,251,625
Entrance Fee Deposits	331,172	1,604,657
Refundable Entrance Fees and Deposits	9,301,324	10,078,139
Deferred Revenue From Entrance Fees	<u>74,782,621</u>	<u>70,602,501</u>
Total liabilities	<u>205,855,161</u>	<u>213,751,336</u>
Net Assets		
Without donor restriction	22,704,301	39,969,073
With donor restriction	<u>2,335,991</u>	<u>2,240,588</u>
Total net assets	<u>25,040,292</u>	<u>42,209,661</u>
Total liabilities and net assets	<u><u>\$ 230,895,453</u></u>	<u><u>\$ 255,960,997</u></u>

See notes to financial statements

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Statements of Operations and Changes in Net Assets
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Change in Net Assets Without Donor Restrictions		
Revenues:		
Net resident service revenues	\$ 39,738,608	\$ 36,115,555
Other operating revenue	683,740	493,208
Net assets released from restrictions	<u>145,181</u>	<u>72,400</u>
Total revenues	<u>40,567,529</u>	<u>36,681,163</u>
Expenses:		
Salaries and benefits	23,474,170	20,040,531
Depreciation	7,733,741	4,974,902
Interest	6,008,552	2,497,295
Purchased services	3,281,686	2,191,912
Utilities	2,995,827	2,566,258
Food and beverage costs	2,344,863	2,129,574
Other operating expenses	2,128,948	1,397,445
Supplies	1,246,750	1,176,189
Bad debt expense	975,248	-
Insurance	948,099	815,750
Repairs and maintenance	814,603	586,218
Marketing and advertising	<u>564,877</u>	<u>1,056,169</u>
Total expenses	<u>52,517,364</u>	<u>39,432,243</u>
Operating loss	(11,949,835)	(2,751,080)
Other income (loss):		
Gain on forgiveness of Paycheck Protection Program loan	-	3,328,396
Contributions	1,300,000	-
Investment (loss) return	<u>(6,614,937)</u>	<u>4,478,442</u>
Revenues (less than) in excess of expenses	<u>(17,264,772)</u>	<u>5,055,758</u>
Changes in Net Assets With Donor Restriction		
Restricted contributions	240,584	223,724
Net assets released from restrictions	<u>(145,181)</u>	<u>(72,400)</u>
Change in net assets with donor restrictions	<u>95,403</u>	<u>151,324</u>
Change in net assets	(17,169,369)	5,207,082
Net Assets, Beginning	<u>42,209,661</u>	<u>37,002,579</u>
Net Assets, Ending	<u><u>\$ 25,040,292</u></u>	<u><u>\$ 42,209,661</u></u>

See notes to financial statements

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (17,169,369)	\$ 5,207,082
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Amortization of entrance fees	(8,935,235)	(8,095,522)
Amortization of debt issuance costs	1,377,795	341,074
Depreciation	7,733,741	5,032,900
Proceeds from nonrefundable entrance fees, existing units	6,751,000	6,841,000
Bad debt expense	975,248	-
Net unrealized loss on investments	7,955,315	574,315
Net realized gain on sales of investments	(406,209)	(3,893,516)
Amortization of bond premium	(508,156)	(508,156)
Gain on forgiveness of Paycheck Protection Program loan	-	(3,328,396)
(Increase) decrease in assets:		
Accounts receivable	(1,387,826)	(1,225,154)
Prepaid expenses	(49,965)	(209,868)
Entrance fees receivable	(561,500)	(351,000)
(Increase) decrease in liabilities:		
Accounts payable and other accrued expenses	422,631	(3,641,309)
Accrued personnel expenses	(12,592)	(144,500)
Accrued compensated annual leave	109,273	105,465
Accrued interest	(112,691)	(56,943)
Entrance fee deposits	(1,273,485)	(2,242,366)
Net cash used in operating activities	<u>\$ (5,092,025)</u>	<u>\$ (5,594,894)</u>
Cash Flows From Investing Activities		
Net change in assets whose use is limited	\$ (1,034,806)	\$ 7,568,362
Net proceeds from sale of investments	10,883,466	9,732,241
Purchases of property and equipment	(4,626,438)	(23,281,702)
Net cash provided by (used in) investing activities	<u>5,222,222</u>	<u>(5,981,099)</u>
Cash Flows From Financing Activities		
Payments on long-term debt	(10,740,000)	(14,365,000)
Proceeds from refundable entrance fees, existing units	743,755	2,506,950
Proceeds from entrance fees, new units	7,552,895	10,826,000
Refunds of refundable entrance fees	(2,709,110)	(1,513,857)
Net cash used in financing activities	<u>(5,152,460)</u>	<u>(2,545,907)</u>
Net change in cash, cash equivalents and restricted cash and cash equivalents	(5,022,263)	(14,121,900)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>20,894,764</u>	<u>35,016,664</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 15,872,501</u>	<u>\$ 20,894,764</u>
Noncash Investing Activities		
Purchase of property and equipment, accrued but not paid	<u>\$ 3,290,979</u>	<u>\$ 3,853,234</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 2,386,644	\$ 1,687,571
Cash and cash equivalents included in assets whose use is limited	13,485,857	19,207,193
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 15,872,501</u>	<u>\$ 20,894,764</u>

See notes to financial statements

Northern California Retired Officers Community d.b.a. Paradise Valley Estates

Notes to Financial Statements
December 31, 2022 and 2021

1. Organization

The Northern California Retired Officers Community d.b.a. Paradise Valley Estates (PVE) is a California nonprofit public benefit corporation organized to provide retired uniformed services officers and their spouses, widows and widowers with housing facilities and healthcare services.

PVE operates a continuing care retirement community (the Community) consisting of 391 independent living (IL) units, 60 assisted living (AL) units, 18 AL memory care (MC) units, a 60-bed skilled nursing (SN) facility and public spaces and amenities. The Community is located in Fairfield, California.

PVE is certified as a continuing care retirement community by the State of California Department of Social Services.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, money market funds and overnight investments considered to be cash equivalents. For the purposes of the statements of cash flows, cash, cash equivalents and restricted cash and cash equivalents include investments purchased with an initial maturity of three months or less.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents is defined as cash and cash equivalents, which are restricted in their use by debt agreements or donors.

Accounts Receivable and Entrance Fee Receivables

PVE assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable and anticipated collection of the consideration. As of December 31, 2021, all accounts receivable were deemed collectible; therefore, no allowance for doubtful accounts was necessary. The allowance for doubtful accounts was approximately \$950,000 at December 31, 2022.

Entrance fee receivables are evaluated for collectability prior to residents being admitted to the Community based on the resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed.

Northern California Retired Officers Community d.b.a. Paradise Valley Estates

Notes to Financial Statements
December 31, 2022 and 2021

Investments, Assets Whose Use is Limited and Investment Risk

Investments primarily include assets set aside for the general use and purposes of PVE.

Assets whose use is limited primarily include assets held by a trustee under indentures for the Series 2013 Bonds, Series 2016 Bonds and Series 2019 Bonds; assets whose use by PVE has been limited by donors to specific time periods or purposes; a refund reserve to fund the payment of entrance fee refunds; and resident entrance fee deposits. Amounts available to meet current liabilities have been classified as current assets on the balance sheet.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment (loss) return is included in operating (loss) income unless the investment (loss) return is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on the trade date.

PVE's investments are comprised of a variety of financial instruments. The fair values reported in the balance sheets are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is possible that the amounts reported in the balance sheets could change materially in the near term.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted income. Net assets with donor restrictions are reclassified and reported as an increase in net assets without donor restriction when an asset is purchased with the donated funds and placed in service.

PVE capitalizes interest costs incurred on tax-exempt borrowings specifically for capital related projects. PVE capitalized interest costs of approximately \$2,956,000 in 2021. PVE did not capitalize interest costs in 2022.

Property and equipment will be evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. No impairment losses were recognized in 2022 or 2021.

Northern California Retired Officers Community d.b.a. Paradise Valley Estates

Notes to Financial Statements
December 31, 2022 and 2021

Debt Issuance Costs and Bond Premiums

Costs incurred and bond premiums received in connection with the issuance of long-term debt are amortized over the term of the related debt using the straight-line method, which approximates the effective interest method and are presented in PVE's balance sheets as a direct addition to or reduction of long-term debt.

Debt issuance costs totaled \$9,074,961 at December 31, 2022 and 2021. Accumulated amortization was \$3,215,690 and \$1,837,895 at December 31, 2022 and 2021, respectively. Amortization expense is recorded as an adjustment to interest expense and was \$1,377,795 and \$341,074 in 2022 and 2021, respectively.

Bond premiums totaled \$13,040,724 at December 31, 2022 and 2021. Accumulated amortization was \$3,855,189 and \$3,347,033 at December 31, 2022 and 2021, respectively. Amortization of the bond premiums is recorded as an adjustment to interest expense and was \$508,156 in 2022 and 2021.

Continuing Care Contracts and Entrance Fees

Under continuing care contracts (CCCs) for the majority of PVE's IL units, residents pay an entrance fee and a monthly fee according to the type of residence selected, the refund plan chosen and the number of residents who occupy the unit. Under all entrance fee refund plans, residents have the right to cancel the CCC with or without cause within 90 days of occupancy of the IL unit (the Cancellation Period). In the case of such cancellation, PVE is obligated to refund the entrance fee, the monthly fee, and all other fees paid to PVE, less the reasonable value of services rendered to the resident pursuant to the cancelled CCC.

PVE offers one basic CCC with three different refund plans; a nonrefundable plan, a 50 percent refund plan and a 95% refund plan. Under the nonrefundable plan, following the Cancellation Period and upon termination of the CCC, the entrance fee will be refunded, less a \$7,500 processing fee and less 2% of the entrance fee per month of residency for 50 months. After 53 months of residency, no refund is due or payable. Under the 50% refund plan, following the Cancellation Period and upon termination of the CCC, the entrance fee will be refunded, less a \$7,500 processing fee and less 2% of the entrance fee per month of residency for 25 months. After the CCC has been in effect for 28 months, the refund remains fixed at 50% of the original entrance fee. Under the 95% refund plan, following the Cancellation Period and upon termination of the CCC, the entrance fee will be refunded, less a \$7,500 processing fee and less 2% of the entrance fee per month of residency for 2.5 months. After the CCC has been in effect for 5.5 months, the refund remains fixed at 95% of the original entrance fee.

All entrance fee refunds are paid within 14 days after the resident vacates the IL unit.

PVE is required to maintain an entrance fee refund escrow to fund the payment of entrance fee refunds to residents who elected the 50% and 95% refund plans. This escrow is included in assets whose use is limited.

The guaranteed refund component of entrance fees under the 50% and 95% refund plans is not amortized to income and is classified as refundable entrance fees on the balance sheets. The balance of entrance fees received is classified as deferred revenue from entrance fees in the balance sheets. The deferred revenue is amortized to income over the annually adjusted actuarially determined life expectancy of the residents using the straight-line method, which approximates the period of time that goods and services under the CCCs are expected to be transferred to residents and PVE's performance obligation to the residents is satisfied.

The gross amount of contractual refund obligations under existing CCCs approximated \$38,110,000 and \$35,859,000 at December 31, 2022 and 2021, respectively.

Northern California Retired Officers Community

d.b.a. Paradise Valley Estates

Notes to Financial Statements
December 31, 2022 and 2021

Amortization of entrance fees was \$8,935,235 in 2022 and \$8,095,522 in 2021. A significant portion of amortization revenue in 2022 and 2021 was included in deferred revenue from entrance fees as of the beginning of each year.

Under the majority of existing CCCs, upon permanent transfer to AL, AL MC or SN, IL residents pay the daily resident healthcare rate, which is approximately equal to the weighted average of all first-person monthly fees for IL units. The CCC does not entitle the residents to an interest in the property owned by PVE.

PVE also offers rental contracts to prospective residents. Under these arrangements, residents do not pay an entrance fee. Residents are only obligated to pay a monthly fee according to the type of residence selected and the number of residents who occupy the IL unit.

Effective January 2023, PVE began offering modified life care contracts to prospective residents. Under these arrangements, residents pay an entrance fee and monthly fee according to the type of residence selected, the refund plan chosen, and the number of residents who occupy the IL unit. Residents are entitled on an annual basis to 30 days of temporary AL, AL MC or SN care and services, based on medical necessity, which is non-cumulative from year to year. This benefit shall be at no extra charge to the resident except for the payment of the Daily Supplemental Fee, as defined. In addition, under the modified life care contracts, residents are entitled to 90 days of AL, AL MC or SN care and services upon permanent transfer to these levels of care. The residents continue paying the monthly fee for the IL unit vacated, and the Daily Supplemental Fee, as defined, during the 90-day period. After 90 days, residents pay current market rates for AL, AL MC or SN care and services.

Future Service Obligation

PVE annually calculates the present value of the costs of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (future service obligation) with the corresponding charge to expense. There was no liability for a future service obligation at December 31, 2022 or 2021.

Net Assets

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

Net Assets Without Donor Restrictions - This classification includes net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - This classification includes net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Northern California Retired Officers Community d.b.a. Paradise Valley Estates

Notes to Financial Statements
December 31, 2022 and 2021

Net Resident Service Revenues

Net resident service revenues are reported at the amount that reflects the consideration PVE expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Net resident service revenues are recognized as performance obligations are satisfied.

Payment terms and conditions for PVE's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service revenues for recurring and routine monthly services due from private pay residents are generally billed monthly in advance. Net resident service fee revenues for ancillary services due from private pay residents are generally billed monthly in arrears. Net resident service revenues due from Medicare and other third-party payor programs are billed monthly in arrears.

Net resident service revenues are primarily comprised of SN, AL, AL MC and IL revenue streams, which are primarily derived from providing housing and SN, AL, AL MC and IL services to residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. PVE has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, PVE considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, SN, AL, AL MC and IL revenues are recognized on a daily or month-to-month basis as services are rendered.

PVE receives revenue for SN services under third-party payor programs, including Medicare and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. PVE estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends. Retroactive adjustments are recognized in future periods as final settlements are determined.

Income Taxes

PVE is 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 on its exempt income under Section 501(a) of the IRC.

Measure of Operations

PVE's operating loss includes only those operating revenues and expenses that are an integral part of PVE's program activities and net assets released from donor restrictions to support operating expenditures. Nonoperating activities are limited to resources that generate return on investments and other activities considered to be more unusual and nonrecurring in nature.

Performance Indicator

PVE's performance indicator is revenues (less than) in excess of expenses as reflected in the accompanying statements of operations and changes in net assets. Revenues (less than) in excess of expenses includes all changes in net assets other than changes in net assets with donor restrictions.

Subsequent Events

PVE evaluated subsequent events for recognition or disclosure through April 28, 2023, the date the financial statements were issued.

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Notes to Financial Statements
December 31, 2022 and 2021

Reclassifications

Certain items in the 2021 financial statements have been reclassified to conform with the 2022 financial statement presentation.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at December 31:

	2022	2021
Cash and cash equivalents	\$ 2,386,644	\$ 1,687,571
Accounts receivable	1,930,260	1,517,682
Entrance fees receivable	1,124,500	563,000
Investments	23,891,305	42,323,877
Total	<u>\$ 29,332,709</u>	<u>\$ 46,092,130</u>

PVE has assets whose use is limited that include assets held by a trustee under bond indentures for the Series 2019 Bonds, Series 2016 Bonds and Series 2013 Bonds; assets whose use by PVE has been limited by donors to specific purposes; and an entrance fee refund escrow. These assets are generally not available for general expenditure within the next year and are not reflected in the amounts above.

As part of PVE's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

4. Net Resident Service Revenues

PVE disaggregates revenue from contracts with residents by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Net resident service revenues consist of the following for the years ended December 31:

	2022			
	Skilled Nursing	Assisted Living and Memory Support	Independent Living	Total
Self-pay	\$ 1,794,447	\$ 3,473,565	\$ 22,726,540	\$ 27,994,552
Medicare and other	2,808,821	-	-	2,808,821
Total	<u>\$ 4,603,268</u>	<u>\$ 3,473,565</u>	<u>\$ 22,726,540</u>	30,803,373
Amortization of entrance fees				<u>8,935,235</u>
Net resident service revenues				<u>\$ 39,738,608</u>

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Notes to Financial Statements
December 31, 2022 and 2021

	2021			
	Skilled Nursing	Assisted Living and Memory Support	Independent Living	Total
Self-pay	\$ 1,849,642	\$ 3,901,163	\$ 20,052,560	\$ 25,803,365
Medicare and other	2,216,668	-	-	2,216,668
Total	<u>\$ 4,066,310</u>	<u>\$ 3,901,163</u>	<u>\$ 20,052,560</u>	28,020,033
Amortization of entrance fees				<u>8,095,522</u>
Net resident service revenues				<u>\$ 36,115,555</u>

PVE has an agreement with Medicare that provides for payments at amounts different from established rates. Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments.

As described above, the Medicare Part A rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on PVE's clinical assessment of its residents. PVE is required to clinically assess its residents at predetermined time periods throughout the year which are subject to review and adjustment by the Medicare program.

5. Fair Value Measurements, Assets Whose Use is Limited and Investments

Fair Value Measurements

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as the price that would be received to sell an asset or paid to dispose of a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible to PVE for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the instrument through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Notes to Financial Statements
December 31, 2022 and 2021

The following tables present the fair value hierarchy for those financial instruments measured at fair value on a recurring basis at December 31:

2022			
	Total	Level 1	Level 2
Assets:			
Investments and assets whose use is limited:			
Equity securities	\$ 9,949,415	\$ 9,949,415	\$ -
Fixed income mutual funds	6,529,119	6,529,119	-
Exchange-traded funds	4,317,527	4,317,527	-
Fixed income securities:			
Corporate bonds	1,655,926	-	1,655,926
Municipal bonds	156,333	-	156,333
Corporate obligations	1,705,984	-	1,705,984
U.S. treasury	3,607,984	-	3,607,984
Government securities	5,738,160	-	5,738,160
Total measured at fair value	33,660,448	\$ 20,796,061	\$ 12,864,387
Cash and cash equivalents	15,722,046		
Total investments and assets whose use is limited	\$ 49,382,494		
2021			
	Total	Level 1	Level 2
Assets:			
Investments and assets whose use is limited:			
Equity securities	\$ 20,437,186	\$ 20,437,186	\$ -
Fixed income mutual funds	8,915,048	8,915,048	-
Exchange-traded funds	5,601,183	5,601,183	-
Fixed income securities:			
Corporate bonds	3,720,711	-	3,720,711
Corporate obligations	2,803,083	-	2,803,083
U.S. treasury	4,039,706	-	4,039,706
Government securities	5,336,494	-	5,336,494
Total measured at fair value	50,853,411	\$ 34,953,417	\$ 15,899,994
Cash and cash equivalents	21,648,185		
Total investments and assets whose use is limited	\$ 72,501,596		

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Notes to Financial Statements
December 31, 2022 and 2021

Investments and assets whose use is limited are presented together in the tables above as there are various investment and cash accounts that are allocated between the investment and assets whose use is limited lines on the balance sheets.

	2022	2021
Current portion of assets whose use is limited	\$ 8,232,936	\$ 9,677,537
Investments	23,891,305	42,323,877
Assets whose use is limited	17,258,253	20,500,182
	<u>\$ 49,382,494</u>	<u>\$ 72,501,596</u>

Valuation Methodologies

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2022 and 2021.

Mutual and exchange traded funds are valued at fair value based on quoted market prices in active markets.

Corporate bonds and obligations, municipal bonds and U.S. government and government agency obligations are generally valued using quoted market prices of similar securities.

California Code Chapter 10, Article 6, Section 1792 requires CCRCs to establish liquid reserves (cash, marketable securities, etc.) equal to, or greater than, the annual principal and interest payments on long-term obligations plus 75 days of the CCRC's adjusted operating expenses. PVE's liquid reserves at December 31, 2022 and 2021 were sufficient to meet this requirement.

Assets whose use is limited are classified as follows:

	2022	2021
Assets whose use is limited:		
Under trust indenture, held by trustee:		
Liquid reserve funds	\$ 6,174,346	\$ 6,261,278
Bond principal funds	3,320,215	3,175,526
Bond interest funds	2,455,222	2,635,234
Project fund	2,454,056	4,519,639
Redemption fund	1,921,004	2,876
Capitalized interest fund	3,442	13,542
Entrance fee fund	-	556,515
	<u>16,328,285</u>	<u>17,164,610</u>
Other:		
Entrance fee refund reserve	5,740,573	6,741,438
Benevolence fund	2,229,167	2,492,807
Other	775,081	3,469,120
Ziegler Link-Age fund	325,000	150,000
Charitable annuities	93,083	159,744
	<u>25,491,189</u>	<u>30,177,719</u>
Total assets whose use is limited	25,491,189	30,177,719
Less current portion	<u>(8,232,936)</u>	<u>(9,677,537)</u>
Assets whose use is limited	<u>\$ 17,258,253</u>	<u>\$ 20,500,182</u>

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Notes to Financial Statements
December 31, 2022 and 2021

Investment (loss) return without donor restrictions is comprised of the following for the years ended December 31:

	2022	2021
Investment income:		
Interest and dividends	\$ 934,169	\$ 1,159,241
Net realized gains on sales of investments	406,209	3,893,516
Investment income	1,340,378	5,052,757
Change in net unrealized gains and losses on investments	(7,955,315)	(574,315)
Total investment (loss) return	<u>\$ (6,614,937)</u>	<u>\$ 4,478,442</u>

6. Property and Equipment, Net

A summary of property and equipment is as follows:

	2022	2021
Land	\$ 9,872,311	\$ 9,863,452
Land improvements	21,550,460	21,522,335
Buildings and improvements	193,446,869	189,896,537
Furniture and equipment	27,567,968	26,437,427
Vehicles	1,037,397	1,037,397
	253,475,005	248,757,148
Less accumulated depreciation	(80,197,234)	(72,463,493)
	173,277,771	176,293,655
Construction in progress	1,096,444	1,750,118
Total	<u>\$ 174,374,215</u>	<u>\$ 178,043,773</u>

7. Long-Term Debt

Series 2019 Bonds

In February 2019, the California Municipal Finance Authority (CMFA) issued, on behalf of PVE, \$95,685,000 of Insured Revenue Bonds (NCROC-Paradise Valley Estates Project), Series 2019 (the Series 2019 Bonds). The proceeds from the Series 2019 Bonds were used to finance the construction and equipping of an IL expansion project, consisting of 70 new IL cottage and villa units (known as The Ridge at Paradise Valley Estates), fund interest on the Series 2019 Bonds during the construction period, fund a Bond Reserve Account and pay a portion of the costs of issuing the Series 2019 Bonds. The Series 2019 Bonds were issued in two series: Series 2019A Bonds totaling \$66,585,000 and Series 2019B Bonds totaling \$29,100,000.

Northern California Retired Officers Community d.b.a. Paradise Valley Estates

Notes to Financial Statements
December 31, 2022 and 2021

The Series 2019A Bonds are due in varying annual installments beginning January 2027 through January 2049 and bear interest at rates ranging from 2.0% to 3.5% payable semi-annually. The Series 2019B Bonds are due in July 2024 (\$17,000,000) and July 2025 (\$12,100,000) and bear interest at rates ranging from 2.0% to 2.25% payable semi-annually.

Proceeds from entrance fees for the new IL units are being used to repay the Series 2019B Bonds prior to maturity. PVE made payments on the Series 2019B Bonds of \$7,565,000 in 2022 and \$11,295,000 in 2021.

Series 2016 Bonds

In November 2016, CMFA issued, on behalf of PVE, \$22,080,000 of Insured Revenue Bonds (NCROC-Paradise Valley Estates Project), Series 2016 (the Series 2016 Bonds). The proceeds from the Series 2016 Bonds were used to finance certain capital projects, refinance the outstanding balance of California Health Facilities Financing Authority (CHFFA) Series 2005 Bonds and pay a portion of the costs of issuing the Series 2016 Bonds.

The Series 2016 Bonds are due in varying annual installments through January 2047 and bear interest at rates ranging from 2.375% to 5.0% payable semi-annually.

Series 2013 Bonds

In March 2013, the CHFFA issued, on behalf of PVE, \$32,215,000 of Insured Refunding Revenue Bonds (NCROC-Paradise Valley Estates Project), Series 2013 (the Series 2013 Bonds). The proceeds from the Series 2013 Bonds were used to refinance the outstanding balance of CHFFA Series 2002 Bonds, fund a Bond Reserve Account and pay a portion of the costs of issuing the Series 2013 Bonds.

The Series 2013 Bonds are due in varying annual installments through January 2026 and bear interest at rates ranging from 3.5% to 5.0% payable semi-annually.

Security

The 2019 Bonds, Series 2016 Bonds and Series 2013 Bonds (collectively, the Bonds) are secured on a parity basis by a lien on and security interest in the Community, a pledge of Gross Revenues, as defined, and the balance of funds held by trustee in connection with the Bonds. Further, payment of principal and interest on the Series 2019 Bonds and Series 2016 Bonds is secured by Contracts of Insurance entered into between PVE, CMFA and the Office of Statewide Health Planning and Development of the State of California.

Debt Covenants

PVE is required to comply with certain debt covenants, including the maintenance of certain financial ratios. Also, under the terms of the Bonds, PVE is required to maintain certain deposits with a trustee.

As of December 31, 2022, PVE was not in compliance with its debt service coverage ratio. However, the failure is such that it does not result in an event of default, as PVE received a waiver from the Office of Health Facility Loan Insurance of the Department of Health Care Access and Information.

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Notes to Financial Statements
December 31, 2022 and 2021

Long-Term Debt Summary

Long-term debt was as follows at December 31:

	2022	2021
Series 2019A Bonds	\$ 66,585,000	\$ 66,585,000
Series 2019B Bonds	10,240,000	17,805,000
Series 2016 Bonds	19,560,000	20,100,000
Series 2013 Bonds	11,845,000	14,480,000
Total	108,230,000	118,970,000
Additions/Deductions:		
Debt issuance costs, net	(5,859,271)	(7,237,066)
Unamortized original issue bond premiums	9,185,535	9,693,691
Current maturities	(3,320,000)	(3,175,000)
Long-term debt	\$ 108,236,264	\$ 118,251,625

Scheduled principal payments on long-term debt are as follows:

Years ending December 31:	
2023	\$ 3,320,000
2024	20,475,000
2025	15,730,000
2026	3,770,000
2027	2,045,000
Thereafter	62,890,000
Total	\$ 108,230,000

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	2022	2021
Benevolence fund	\$ 2,030,769	\$ 1,954,567
Other	305,222	286,021
Total	\$ 2,335,991	\$ 2,240,588

9. Defined Contribution Plans

PVE sponsors a defined contribution retirement plan covering substantially all of its employees. PVE also sponsors a second defined contribution retirement plan available to employees who meet additional eligibility requirements. PVE's contributions to the plans were \$487,870 in 2022 and \$565,004 in 2021.

Northern California Retired Officers Community d.b.a. Paradise Valley Estates

Notes to Financial Statements
December 31, 2022 and 2021

10. Medical Malpractice Claims Coverage

PVE maintains professional liability coverage on a claims-made basis through a commercial insurance carrier. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents occurred or will be asserted that will exceed PVE's insurance coverages or will have a material adverse effect on the financial statements.

11. Concentrations of Credit Risk

PVE grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medicare and various commercial insurance companies.

PVE maintains cash and cash equivalents accounts, which, at times, may exceed federally insured limits. PVE has not experienced any losses from maintaining cash and cash equivalents accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash and cash equivalents accounts.

12. Commitments and Contingencies

PVE operates in an industry where various suits and claims arise in the normal course of business. Management is not currently aware of any claims that have been or will be asserted that will, after consideration of applicable insurance coverages, have a material adverse effect on the the financial statements.

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter, if any, cannot be known with certainty.

PVE has an unfunded capital commitment of \$675,000 related to an investment in the Ziegler Link-Age fund as of December 31, 2022.

PVE is self-insured for workers' compensation. Claims are accrued under the plan as the incidents that give rise to them occur. Unpaid claims accruals, including estimates of incurred but not reported claims, are based on the estimated ultimate cost of settlement, including claim settlement expenses, in accordance with PVE's past experience. The workers' compensation reserve liability is \$300,000 as of December 31, 2022 and is included in accounts payable and accrued expenses in the accompanying balance sheet. There is no workers' compensation reserve liability as of December 31, 2021.

The spread of COVID-19 around the world has caused significant volatility in U.S. and international markets, supply chains, businesses and communities. PVE's evaluation of the effects of these events is ongoing as of the date the accompanying consolidated financial statements were available to be issued. COVID-19 may impact various parts of PVE's 2023 operations and financial performance, including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, sales of independent living units or declines in revenue related to decreases in occupancy or volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Notes to Financial Statements
December 31, 2022 and 2021

13. Functional Expenses

PVE provides housing health care and other related services to elderly residents within its geographic location. Expenses related to providing these services are as follows in 2022 and 2021:

	2022		
	Program Services	General and Administrative	Total
Salaries and benefits	\$ 18,996,215	\$ 4,477,955	\$ 23,474,170
Food and beverage costs	2,344,863	-	2,344,863
Supplies	1,093,159	153,591	1,246,750
Purchased services	1,217,293	2,064,393	3,281,686
Marketing and advertising	-	564,877	564,877
Repairs and maintenance	813,988	615	814,603
Insurance	-	948,099	948,099
Utilities	2,995,827	-	2,995,827
Depreciation	7,733,741	-	7,733,741
Interest	6,008,552	-	6,008,552
Bad debt expense	-	975,248	975,248
Other operating expenses	706,931	1,422,017	2,128,948
Total	\$ 41,910,569	\$ 10,606,795	\$ 52,517,364

	2021		
	Program Services	General and Administrative	Total
Salaries and benefits	\$ 15,995,137	\$ 4,045,394	\$ 20,040,531
Food and beverage costs	2,129,574	-	2,129,574
Supplies	990,903	185,286	1,176,189
Purchased services	997,400	1,194,512	2,191,912
Marketing and advertising	-	1,056,169	1,056,169
Repairs and maintenance	582,624	3,594	586,218
Insurance	-	815,750	815,750
Utilities	2,566,258	-	2,566,258
Depreciation	4,974,902	-	4,974,902
Interest	2,497,295	-	2,497,295
Other operating expenses	540,622	856,823	1,397,445
Total	\$ 31,274,715	\$ 8,157,528	\$ 39,432,243

Certain expense categories above, including utilities, depreciation and interest, are attributable to more than one program service or support function. The Organization believes substantially all utilities, depreciation and interest is applicable to program services. As such, these expenses were reported in the program services columns above.

PART 5

LIQUID RESERVES

**Northern California
Retired Officers Community
d.b.a. Paradise Valley Estates**

Continuing Care Liquid Reserve Schedules
and Supplementary Information

December 31, 2022

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

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Independent Auditors' Report

To the Board of Directors of
Northern California Retired Officers Community d.b.a. Paradise Valley Estates

Report on the Continuing Care Liquid Reserve Schedules

Opinion

We have audited the accompanying continuing care liquid reserve schedules, Form 5-1 through Form 5-5 (the Schedules) of Northern California Retired Officers Community d.b.a. Paradise Valley Estates (a California nonprofit public benefit corporation) (PVE), which comprise the continuing care liquid reserve schedules, as of and for the year ended December 31, 2022, and the related notes to the continuing care liquid reserve schedules.

In our opinion, the Schedules referred to above present fairly, in all material respects, the continuing care reserves of PVE as of and for the year ended December 31, 2022 in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792 as described below.

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 Schedules section of our report. We are required to be independent of PVE 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.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 to the Schedules, which describes the basis of accounting used to prepare the Schedules. The Schedules are prepared by PVE on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these Schedules in accordance with the liquid reserve requirements 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 Schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility for the Audit of the Schedules

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

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 Schedules, 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 Schedules.
- 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 PVE'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 Schedules.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PVE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Restriction on Use

Our report is intended solely for the information and use of management and the board of directors of PVE and the State of California, Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Schedules, as a whole.

The accompanying supplementary information on pages 9 through 10 is presented for the purpose of additional analysis and is not a required part of the Schedules. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Schedules. The information has been subjected to the auditing procedures applied in the audit of the Schedules, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Schedules, or to the Schedules 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 Schedules, taken as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania

May 17, 2023

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Form 5-1, Long-Term Debt Incurred in a Prior Fiscal Year (Including Balloon Debt)
Year Ended December 31, 2022

	(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	04/04/2013	\$ 2,635,000	\$ 597,550	\$ -	\$ 3,232,550
2	11/30/2016	540,000	805,681	-	1,345,681
3	02/21/2019	7,565,000	3,695,593	-	11,260,593
	Total	<u>\$ 10,740,000</u>	<u>\$ 5,098,824</u>	<u>\$ -</u>	<u>\$ 15,838,824</u>
					<i>(Transfer this amount to Form 5-3, Line 1)</i>

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

Provider: Northern California Retired Officers Community d.b.a. Paradise Valley Estates

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Form 5-2, Long-Term Debt Incurred During Fiscal Year (Including Balloon Debt)
Year Ended December 31, 2022

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Total Interest Paid During Fiscal Year	Amount of Recent Payment on the Debt	Number of Payments Over Next Twelve Months	Reserve Requirement (see instruction 5) (columns (c) x (d))
N/A		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -
					(Transfer this amount to Form 5-3, Line 2)

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

Provider: Northern California Retired Officers Community d.b.a. Paradise Valley Estates

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Form 5-3, Calculation of Long-Term Debt Reserve Amount
Year Ended December 31, 2022

<u>Line</u>		<u>Total</u>
1	Total from Form 5-1 bottom of Column (e)	\$ 15,838,824
2	Total from Form 5-2 bottom of Column (e)	-
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	-
4	Total amount required for long-term debt reserve	<u>\$ 15,838,824</u>

Provider: Northern California Retired Officers Community d.b.a. Paradise Valley Estates

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Form 5-4, Calculation of Net Operating Expenses
Year Ended December 31, 2022

<u>Line</u>		<u>Amount</u>	<u>Total</u>
1	Total operating expenses from financial statements		<u>\$ 52,517,364</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$ 5,098,824</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>-</u>	
	c. Depreciation	<u>7,733,741</u>	
	d. Amortization	<u>869,639</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract.	<u>898,143</u>	
	f. Extraordinary expenses approved by the Department	<u>-</u>	
3	Total deductions		<u>14,600,347</u>
4	Net operating expenses		<u>37,917,017</u>
5	Divide Line 4 by 365 and enter the result.		<u>103,882</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$ 7,791,168</u></u>

Provider: Northern California Retired Officers Community d.b.a. Paradise Valley Estates

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Form 5-5, Annual Reserve Certification
Year Ended December 31, 2022

Provider Name: Northern California Retired Officers Community d.b.a. Paradise Valley Estates
Fiscal Year End: December 31, 2022

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2022 and are in compliance with those requirements.

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

	Amount
[1] Debt service reserve amount	\$ 15,838,824
[2] Operating expense reserve amount	7,791,168
[3] Total liquid reserve amount	\$ 23,629,992

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

Qualifying Asset Description	Amount (market value at end of quarter)	
	Debt Service Reserve	Operating Reserve
[4] Cash and cash equivalents	\$ -	\$ 2,386,644
[5] Investment Securities	\$ 1,964,594	\$ 21,926,711
[6] Equity Securities	\$ -	\$ -
[7] Unused/Available lines of credit	\$ -	\$ -
[8] Unused/Available letters of credit	\$ -	\$ -
[9] Debt service reserve	\$ 13,874,230	(not applicable)
[10] Other:	\$ -	\$ -
<hr/>		
(describe qualifying asset)		
Listed for reserve obligation	[11] \$ 15,838,824	[12] \$ 24,313,355
Reserve obligation amount	[13] \$ 15,838,824	[14] \$ 7,791,168
Surplus/(Deficiency)	[15] \$ -	[16] \$ 16,522,187

Signature:



(Authorized Representative)

Date: 5/17/23

Chief Executive Officer
(Title)

Northern California Retired Officers Community d.b.a. Paradise Valley Estates

Notes to Continuing Care Liquid Reserve Schedules
December 31, 2022

1. Organization

The Northern California Retired Officers Community d.b.a. Paradise Valley Estates (PVE) is a California nonprofit public benefit corporation organized to provide retired uniformed services officers and their spouses, widows and widowers with housing facilities and healthcare services.

PVE operates a continuing care retirement community (the Community) consisting of 391 independent living (IL) units, 60 assisted living (AL) units, 18 AL memory care (MC) units, a 60-bed skilled nursing (SN) facility and public spaces and amenities. The Community is located in Fairfield, California.

PVE is certified as a continuing care retirement community by the State of California Department of Social Services.

2. Basis of Accounting

The accompanying supplementary schedules have been prepared in accordance with the provisions of Health and Safety Code Section 1792 administered by the State of California Department of Social Services and are not intended to be a complete presentation of Northern California Retired Officers Community d.b.a. Paradise Valley's assets, liabilities, revenues and expenses.

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Supplementary Form 5-4, Reconciliation to Audit Report
Year Ended December 31, 2022

Form 5-4 Reconciliation 1

Total operating expenses (Form 5-4, Line 1)	\$ 52,517,364
Mean number of all residents (Form 1-1, Line 10)	<u>531</u>
Per capita cost of operations	<u><u>\$ 98,903</u></u>

Form 5-4 Reconciliation 2e

Health services	\$ 8,076,832
Resident services	22,374,041
Less CCRC and other revenue	(4,369,867)
Less Medicare revenue	(2,654,094)
Less HMO revenue	(154,728)
Less IL revenue	<u>(22,374,041)</u>
	<u><u>\$ 898,143</u></u>

Form 5-4 Reconciliation 2c and 2d

Depreciation and amortization expense	\$ 8,603,380
Less amortization	<u>(869,639)</u>
	<u><u>\$ 7,733,741</u></u>

**Northern California Retired Officers Community
d.b.a. Paradise Valley Estates**

Supplementary Form 5-5, Reconciliation to Audit Report
Year Ended December 31, 2022

Form 5-5 Reconciliation

Debt Service Reserve

2013 Bond Funds:

Interest fund	\$ 272,425
Principal fund	2,755,161
Reserve fund	<u>3,238,662</u>
	<u>6,266,248</u>

2016 Bond Funds:

Interest fund	396,091
Principal fund	<u>565,055</u>
	<u>961,146</u>

2019 Bond Funds:

Interest fund	1,786,706
Capitalized interest fund	3,442
Reserve fund	2,935,684
Redemption fund	<u>1,921,004</u>
	<u>6,646,836</u>

Total debt service reserve	13,874,230
2019 Bond Project Fund	2,454,056
Other assets limited to use	<u>9,162,903</u>
Total assets limited at to use	<u><u>\$ 25,491,189</u></u>

PART 6

CONTINUING CARE RETIREMENT COMMUNITY
DISCLOSURE STATEMENT

**Continuing Care Retirement Community
Disclosure Statement**

Date Prepared: 5/19/2023

FACILITY NAME: PARADISE VALLEY ESTATES

ADDRESS: 2600 ESTATES DRIVE, FAIRFIELD, CA

ZIP CODE: 94533

PHONE: 707-432-1100

PROVIDER NAME: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY (NCROC)

FACILITY OPERATOR: NCROC

RELATED FACILITIES: NONE

RELIGIOUS AFFILIATION: NONE

YEAR # OF ☐ SINGLE ☐ MULTI-

MILES TO SHOPPING CTR: 4

OPENED: 1997 ACRES 76 STORY STORY ☐ OTHER: BOTH

MILES TO HOSPITAL: 5.6

NUMBER OF UNITS:

RESIDENTIAL LIVING

APARTMENTS — STUDIO: 0

APARTMENTS — 1 BDRM: 36

APARTMENTS — 2 BDRM: 135

COTTAGES/HOUSES: 220

RLU OCCUPANCY (%) AT YEAR END: 80%

HEALTH CARE

ASSISTED LIVING: 60

SKILLED NURSING: 60

SPECIAL CARE: 20

DESCRIPTION: > MEMORY CARE ASSISTED LIVING

OVERALL CCRC OCCUPANCY (%) AT YEAR END: 66%

TYPE OF OWNERSHIP: ☒ NOT-FOR-PROFIT ☐ FOR-PROFIT

ACCREDITED?: ☒ YES ☐ NO BY: CARF

FORM OF CONTRACT: ☒ CONTINUING CARE

☐ LIFE CARE

☐ ENTRANCE FEE

☐ FEE FOR SERVICE

(Check all that apply) ☐ ASSIGNMENT OF ASSETS

☐ EQUITY

☐ MEMBERSHIP

☒ RENTAL

REFUND PROVISIONS: (Check all that apply) ☐ Refundable ☐ Repayable ☐ 90% ☐ 75% ☒ 50% ☒ OTHER: 95%

RANGE OF ENTRANCE FEES: \$248,850 - \$ 1,218,945

LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: YES

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: _____ OTHER: _____

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD:

(briefly describe provider's compliance and residents' roles) > RESIDENT SITS ON THE BOD, RESIDENT COUNCIL

> PRESIDENT AND ONE GUEST ARE INVITED TO ATTEND EACH BOARD MEETING

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (<u>4</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (<u>1</u> /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>BOCCE BALL COURT</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

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: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

UNIVERSITY RETIREMENT COMMUNITY

DAVIS, CA

530-747-7000

SPRING LAKE VILLAGE

SANTA ROSA, CA

707-538-8400

ESKATON VILLAGE

CARMICHAEL, CA

916-974-2000

ALTAVITA

RIVERSIDE, CA

951-697-2100

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

VACAVILLE CONVALESCENT & REHAB

VACAVILLE, CA

707-449-8000

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

	2019	2020	2021	2022
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	37,487,775	35,232,967	32,680,491	31,632,294
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	(30,909,318)	(31,652,716)	(31,963,050)	(38,775,071)
NET INCOME FROM OPERATIONS	6,578,457	3,580,251	717,441	(7,142,777)
LESS INTEREST EXPENSE	(1,252,208)	(1,080,569)	(1,924,351)	(6,008,552)
PLUS CONTRIBUTIONS	321,605	584,676	223,724	1,300,000
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	(346,359)	258,428	3,355,625	(6,614,937)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	5,301,495	3,342,786	2,372,439	(18,466,266)
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	12,430,739	5,639,200	6,216,286	4,146,033

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CAL MORTGAGE	11,845,000	3%	04/04/2013	10/01/2026	13 YEARS
CAL MORTGAGE	19,560,000	4%	11/30/2016	01/01/2047	30 YEARS
CAL MORTGAGE	76,825,000	2% - 5%	2/2019	01/2049	30 YEARS

FINANCIAL RATIOS *(see next page for ratio formulas)*

	2019 CCAC Medians 50 th Percentile <i>(optional)</i>	2020	2021	2022
DEBT TO ASSET RATIO	34.09%	51.4%	45.5%	45.4%
OPERATING RATIO	101.6	116.5%	103.6%	131.8%
DEBT SERVICE COVERAGE RATIO	2.73	1.42	1.72	.17
DAYS CASH ON HAND RATIO	538	568	544	223

HISTORICAL MONTHLY SERVICE FEES *(Average Fee and Change Percentage)*

	2019	%	2020	%	2021	%	2022
STUDIO							
ONE BEDROOM	3,020	4.5	3,231	4.5	3,376	6.0	3,579
TWO BEDROOM	4,567	4.5	4,887	4.5	5,107	6.0	5,413
COTTAGE/HOUSE	4,638	4.5	5,086	4.5	5,315	6.0	5,634
ASSISTED LIVING	4,640	4.5	4,849	4.5	5,067	6.5	5,396
SKILLED NURSING	4,640	4.5	4,849	4.5	5,067	6.5	5,396
SPECIAL CARE	4,640	4.5	4,849	4.5	5,067	6.5	5,396

* **COMMENTS FROM PROVIDER:**

>

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ - \text{ Depreciation Expense} \\ - \text{ Amortization Expense} \end{array}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ + \text{ Interest, Depreciation, and Amortization Expenses} \\ \text{Amortization of Deferred Revenue} + \text{ Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash \& Investments} \\ + \text{ Unrestricted Non-Current Cash \& Investments} \end{array}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

PART 7

REPORT ON CCRC MONTHLY SERVICE FEES

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES

- | | <u>RESIDENTIAL
LIVING</u> | <u>ASSISTED
LIVING</u> | <u>SKILLED
NURSING</u> |
|--|-------------------------------|----------------------------|----------------------------|
| [1] Monthly Care Fees at beginning of reporting period:
(indicate range, if applicable) | _____ | _____ | _____ |
| [2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) | _____ | _____ | _____ |
| <input type="checkbox"/> Check here if monthly care fees at this community were <u>not</u> 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: _____
(If more than one (1) increase was implemented, indicate the dates for each increase.) | | | |
| [4] Check each of the appropriate boxes: | | | |
| <input type="checkbox"/> Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators. | | | |
| <input type="checkbox"/> All affected residents were given written notice of this fee increase at least 30 days prior to its implementation. Date of Notice: _____ Method of Notice: _____ | | | |
| <input type="checkbox"/> At least 30 days prior to the increase in fees, the designated representative of the provider convened a meeting that all residents were invited to attend. Date of Meeting: _____ | | | |
| <input 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 type="checkbox"/> The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases. Date of Notice: _____ | | | |
| <input 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. Date of Posting: _____ Location of Posting: _____ | | | |
| [5] On an attached page, provide a concise explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code. See <u>PART 7 REPORT ON CCRC MONTHLY CARE FEE</u> in the Annual Report Instruction booklet for further instructions. | | | |

PROVIDER: _____
COMMUNITY: _____

FORM 7-1

Explanations for Adjustments in Monthly Fees

Summary of Documents Used in Determining Rate Adjustment

The following documents were used in developing the monthly fee adjustments for 2022

NCROC Operating Budget for 2022	Internally developed document detailing all revenues and expenses for projected fiscal year 2022. Developed by Paradise Valley Estates management and approved by the Board of Directors.
Report on Actuarial Study and Cash Flow Projection for Paradise Valley Estates	Report completed in conjunction with the actuarial firm, A.V. Powell & Associates. The report contains observations and recommendations regarding pricing policies in order to meet reserve requirements , thus helping ensure the long-term success of Paradise Valley Estates.
Statements of Operations	The operating results of Paradise Valley Estates during fiscal year 2021, based on actual performance.

Details of Rate Adjustment

Unit Type	Configuration	Square Ftg	Monthly Fee @ 1/1/21		Monthly Fee @ 1/1/22	
Apt - Traditional	1Bed/1Bath	803	3,192	3,469	3,384	3,678
Apt - Custom	2Bed/2Bath	1140	3,937	4,282	4,173	4,539
Apt - Deluxe	2Bed/2Bath	1291	4,271	4,644	4,527	4,923
Apt - Luxury	2Bed/2Bath/Den	1534	4,800	5,221	5,088	5,534
Apt - Royale	2Bed/2Bath/Den	1584	4,912	5,341	5,206	5,661
Apt - Grande	2Bed/2Bath/Den	1846	5,489	5,971	5,819	6,329
Apt - Grande Plus	2Bed/2Bath/Den	1870	5,544	6,025	5,876	6,387
Home-Quadrplex	2Bed/2Bath	1340	4,380	4,760	4,642	5,046
Home - Duplex One	2Bed/2Bath/Den	1451	4,619	5,072	4,896	5,377
Home - Duplex Two	2Bed/2Bath/Den	1505	4,740	5,200	5,025	5,512
Home - Manor	2Bed/2Bath/Den	2015	5,863	6,375	6,215	6,757
Second Person	Variable	Variable	1,421	1,548	1,506	1,641

FORM 7-1

Explanations for Adjustments in Monthly Fees

Basis of monthly Care Fee Adjustment*Methodology for Rate Adjustment*

Paradise Valley Estates (PVE), a continuing care retirement community located in Fairfield, California, has been in operation since 1997. The 2022 budget was based on a mix of historical operational results, as well as projected expenses associated with budgeted occupancy. Labor is a large part of the operating budget and as such mandated minimum wage increases combined with local labor markets had a impact the projected costs. Other factors taken into account are historial attrition rates and assumptions relating to new move in numbers and timing for those move ins.

PVE must maintain certain financial ration, according to covenants mandated by financing arrangements. These ratios include days cash on hand, current, and debt service coverage ratios. These financial obligations also dictate the continuance of financial health for PVE and as such are an important part of the revenue and pricing target decisions.

Summary/Overview Rate Adjustment

After review and preparation of analysis, PVE did increase monthly service fees for Independent Living units. PVE also increased daily rates for skilled nursing and assisted living at Laurel Creek Health Center and assisted living at the Quail Creek and Deer Creek facilities. PVE also implemented Tier 3 pricing for new residents moving to the campus starting 1/1/2020

FORM 7-1 ATTACHMENT
MONTHLY CARE FEE INCREASE (MCFI) FOR 2022

		(\$000's)		
LINE	Fiscal Years	2020	2021	2022
1	2020 Operating Expenses	(\$38,436,700)		
2	2021 Operating Expenses		(\$38,692,646)	
3	Projected 2022 Operating Expenses			(\$45,560,988)
4	Projected 2022 Revenue without MCFI			\$43,533,630
5	Projected 2022 Net Operating Income without MCFI			(\$2,027,358)
6	Projected 2022 Revenue with MCFI			\$45,064,479
7	Projected 2022 Net Operating Income after 6.0% & 6.5% MCFI			(\$496,510)

Monthly Care Fee Increase (Independent Living): 6.0%

Monthly Care Fee Increase (Assisted Living & SNF): 6.5%

Notes:

- 2022 operating budget (without MCFI increase) projected a net loss of (\$2.0MM)
- For 2022, the Board of Directors approved a 2 tier increase (6.0% for IL and 6.5% for all AL and SNF) to adjust nursing staff salaries to market
- With a 6.0% & 6.5% MCFI increase, the projected net loss was reduced to about (\$0.5MM). Even with MCFI, PVE still projected an operating loss for 2022.

ATTACHMENT TO FORM 7-1

REPORT ON CCRC MONTHLY SERVICE FEES

EXPLANATION FOR INCREASE IN MONTHLY SERVICE FEES

The goal of PVE's annual budgeting and rate setting process is to establish a financial plan that balances providing residents with a highest level of service and value while also ensuring the long term financial sustainability of the organization.

For 2022, service fees for Independent Living were increased by 6.0% and 6.5% for all Assisted Living and Skilled Nursing. The reasons for these increases were to offset a projected (\$2.0MM) operating loss. The higher increase for AL and SNF was to help cover additional costs in those areas due to COVID and to supplement pay adjustments for nursing staff. With the stated increases, the projected net operating loss was reduced to about (\$0.5MM). The largest cost increase in 2022 was for labor, which represents roughly 60% of the operating expense budget. Increases related to minimum wage mandates, merit increases and market factors for 2022 represented a (\$2.2MM) over 2021.

In addition to increased labor costs, PVE saw cost increases across the board due to inflation, in particular food costs, which were projected to continue increasing in 2022. Other services such as utilities, contracted services, and supplies that were consistent with general COLA increases in the SF Bay area

Paradise Valley Estates

H&SC SECTION 1790(a)(2) and (3) DISCLOSURE

Description of all Reserves Maintained	December 31,	
	2022	2021
2013 Bond funds:		
Interest fund	272,425	360,294
Principal fund	2,755,161	2,635,380
Reserve fund	3,238,662	3,243,614
	<u>6,266,248</u>	<u>6,239,288</u>
2016 Bond funds:		
Interest fund	396,091	409,596
Revenue fund	-	-
Project fund	-	-
Principal fund	565,055	540,146
	<u>961,146</u>	<u>949,742</u>
2019 Bond funds:		
Capitalized Interest fund	3,442	13,542
Interest fund	1,786,706	1,865,344
Revenue fund	-	-
Redemption fund	1,921,004	1,409,891
Project fund	2,454,056	4,519,639
Reserve fund	2,935,684	3,017,664
	<u>9,100,892</u>	<u>10,826,080</u>
<u>Other Limited Use fund</u>		
Benevolence fund	2,229,167	2,492,807
Entrance fee refund escrow	5,740,573	6,741,438
Ziegler LinkAge fund	325,000	150,000
Charitable annuities	93,083	159,744
Other	775,081	-
	<u>9,162,904</u>	<u>9,543,989</u>
	<u>\$ 25,491,190</u>	<u>\$ 27,559,099</u>

Funds Accumulated for Specific Projects or Purposes

The benevolence funds will be used to provide resident assistance.

The charitable gift annuity fund is set aside for payment of gift annuities.

Per Capita Cost of Operations

Total Operating Expenses (Form 5-4, Line 1)	\$ 52,517,364
Mean number of all residents (Form 1-1, Line 10)	531
	<u>\$ 98,903</u>

PART 8

KEY INDICATORS REPORT

KEY INDICATORS REPORT

NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY dba PARADISE VALLEY ESTATES

Please attach an explanatory memo that summarizes significant

trends or variances in the key operational indicators.

OPERATIONAL STATISTICS

1. Average Annual Occupancy by Site (%)

MARGIN (PROFITABILITY) INDICATORS

2. Net Operating Margin (%)

3. Net Operating Margin - Adjusted (%)

LIQUIDITY INDICATORS

4. Unrestricted Cash and Investments (\$000)

5. Days Cash on Hand (Unrestricted)

CAPITAL STRUCTURE INDICATORS

6. Deferred Revenue from Entrance Fees (\$000)

7. Net Annual E/F proceeds (\$000)

8. Unrestricted Net Assets (\$000)

9. Annual Capital Asset Expenditure (\$000)

10. Annual Debt Service Coverage
Revenue Basis (x)

11. Annual Debt Service Coverage (x)

12. Annual Debt Service/Revenue (%)

13. Average Annual Effective Interest Rate (%)

14. Unrestricted Cash & Investments/
Long-Term Debt (%)

15. Average Age of Facility (years)

					Chief Executive Officer Signature					Preferred Trend Indicator
Actual					Projected	Forecast				
2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	
90%	93%	89%	75%	77%	83%	86%	91%	94%	94%	N/A
-17%	-12%	-13%	-12%	-18%	0%	0%	3%	4%	3%	↑
19%	22%	6%	6%	-3%	28%	28%	29%	30%	30%	↓
37,694	47,714	51,759	46,099	26,278	26,143	32,289	44,236	58,675	70,387	↑
438	534	568	489	219	221	261	341	431	501	↑
69,165	73,496	70,116	80,681	84,084	94,129	106,779	115,186	123,136	131,395	N/A
11,477	12,030	5,639	5,736	4,786	15,245	15,911	16,738	18,136	18,814	N/A
20,613	28,626	34,913	39,969	22,704	19,461	17,437	17,116	17,733	18,540	N/A
9,405	29,269	44,549	26,164	4,626	3,677	3,824	3,977	4,136	4,301	N/A
-0.57	0.24	0.10	0.56	-0.53	0.11	0.16	0.31	0.40	0.53	↑
1.92	2.91	1.42	1.66	0.05	2.00	2.15	2.42	2.70	3.64	↑
15%	10%	10%	14%	24%	17%	16%	14%	13%	10%	↓
4%	3%	1%	1%	4%	4%	4%	4%	4%	4%	↓
88%	36%	39%	41%	25%	28%	37%	53%	72%	88%	↑
14	15	15	15	10	11	12	12	13	14	↓

SIGNIFICANT TRENDS OR VARIANCES IN KEY OPERATIONAL INDICATORS

As the KPI trends indicate, 2022 was a challenging year financially for PVE due to confluence of factors which included high inflation, slower than expected sales, lower occupancy, falling investment markets and increased debt load of our campus expansion. PVE management has taken several measure to improve the financial trajectory in 2023, including:

- Implemented cost reduction initiatives totaling about \$2.0MM in 2023.
- New marketing team and refined marketing strategy
- Expand on-campus Medicare and therapy services within our primary market area

So far in 2023 we have seen significant improvement to our overall financial results due to higher occupancy, entrance fees and lower expenses. In addition, investment markets so far in 2023 have been much more favorable than last year, resulting in gains to our reserves. We expect to see improvement across all of our financial metrics, including compliance with all of our debt covenants.

PART 9

REFUND RESERVE REPORT

FOR

REFUNDABLE CONTRACTS

FORM 9-1
CALCULATION OF REFUND RESERVE AMOUNT

12/31/2022

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	6% [9]	[10]
	Resident Name	Sex	DOB	Entrance Fee	Refund %	Refund Amount (promised after 6 yrs)	Age	7500 Multiplier	Present Value of Refund
1				\$383,040	50%	\$191,520.00	96	3.109	159,786
2				\$407,513	50%	\$203,756.25	91	4.501	156,751
3				\$460,500	50%	\$230,250.00	88	5.613	166,019
4				\$365,600	50%	\$182,800.00	87	6.054	128,462
5				\$418,900	50%	\$209,450.00	87	6.054	147,190
6				\$364,234	50%	\$182,117.00	86	6.494	124,742
7				\$470,900	50%	\$235,450.00	83	7.952	148,138
8				\$653,550	50%	\$326,775.00	79	10.184	180,524
9				\$624,300	50%	\$312,150.00	75	12.607	149,738
10				\$349,350	50%	\$174,675.00	72	14.367	75,624
11				\$267,128	95%	\$253,771.60	105	1.784	228,716
12				\$718,830	95%	\$682,888.50	96	3.109	569,736
13				\$592,900	95%	\$563,255.00	92	4.175	441,624
14				\$587,200	95%	\$557,840.00	90	4.838	420,804
15				\$857,000	95%	\$814,150.00	86	6.494	557,658
16				\$1,005,200	95%	\$954,940.00	76	12.011	474,272
17				\$1,206,600	95%	\$1,146,270.00	64	19.545	367,015
18				\$782,900	95%	\$743,755.00	79	10.184	410,880
19				\$334,400	50%	\$167,200.00	89	4.236	130,629
20				\$430,600	50%	\$215,300.00	80	7.672	137,688
21				\$955,800	95%	\$908,010.00	74	10.830	483,090
22									
23									
24									
25									
26				\$12,236,445		\$9,256,323			
TOTAL AMOUNT REQUIRED FOR REFUND RESERVE :									\$5,659,088

PROVIDER: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
COMMUNITY: PARADISE VALLEY ESTATES

Investment Entrance Fee Account Balance GL 15-4027 15-4028

From Union Bank Statement 5,740,573

Overage / Shortage 81,486