



**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, 2023

PART 1

ANNUAL PROVIDER FEES

FORM 1-1: RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	532
[2]	Number at end of fiscal year	535
[3]	Total Lines 1 and 2	1,067 x.50
[4]	Multiply Line 3 by “.50” and enter result on Line 5.	
[5]	Mean number of continuing care residents	534
All Residents		
[6]	Number at beginning of fiscal year	542
[7]	Number at end of fiscal year	545
[8]	Total Lines 6 and 7	1,087 x.50
[9]	Multiply Line 8 by “.50” and enter result on Line 10.	
[10]	Mean number of <i>all</i> residents	544
[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).	98.16%

FORM 1-2: ANNUAL PROVIDER FEE

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service - interest only)	49,998,162.00
[a] Depreciation	7,829,869.00
[b] Debt Service (Interest Only)	4,930,229.00
[2] Subtotal (add Line 1a and 1b)	12,760,098.00
[3] Subtract Line 2 from Line 1 and enter result.	37,238,064.00
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	0.98
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	36,552,883.62
[6] Total Amount Due (multiply Line 5 by .001)	\$ 36,522.88

PROVIDER: Northern California Retired Officers Community**COMMUNITY:** Paradise Valley Estates

PART 2

CERTIFICATION BY CHIEF EXECUTIVE OFFICER



PARADISE VALLEY ESTATES

November 6, 2024

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, 2023.

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

A handwritten signature in black ink, appearing to read 'K L Burke', written over a horizontal line.

Kevin L. Burke
Chief Executive Officer

PART 3

EVIDENCE OF FIDELITY BOND

ACORD™

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

11/30/2023

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		
INSURED Northern California Retired Officers Co 2600 Estates Drive Fairfield, CA 94533	INSURER(S) AFFORDING COVERAGE		NAIC #
	INSURER A : Starstone Specialty Ins. Co.		44776
	INSURER B : American Empire Surplus Line Ins Co		35351
	INSURER C : Nationwide Mutual Insurance Company		23787
	INSURER D :		
	INSURER E :		
INSURER F :			

COVERAGES	CERTIFICATE NUMBER:	REVISION NUMBER:
THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.		


INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input checked="" type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> BI/PD Ded: 25,000 GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC <input type="checkbox"/> OTHER:		840221232AHL	12/01/2023	12/01/2024	EACH OCCURRENCE \$1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$100,000 MED EXP (Any one person) \$5,000 PERSONAL & ADV INJURY \$1,000,000 GENERAL AGGREGATE \$3,000,000 PRODUCTS - COMP/OP AGG \$3,000,000 \$
C	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO OWNED AUTOS ONLY <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS NON-OWNED AUTOS ONLY		ACPBA3059611283	12/01/2023	12/01/2024	COMBINED SINGLE LIMIT (Ea accident) \$1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
A	UMBRELLA LIAB <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> EXCESS LIAB <input checked="" type="checkbox"/> CLAIMS-MADE DED <input checked="" type="checkbox"/> RETENTION \$0		82917K232AHL	12/01/2023	12/01/2024	EACH OCCURRENCE \$5,000,000 AGGREGATE \$5,000,000 \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> Y/N (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A				PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
B	Excess Liability		XSE78920502	12/01/2023	12/01/2024	\$5,000,000 Occurrence \$5,000,000 Aggregate

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 Office of Statewide Health Planning & Development Cal-Mortgage Loan Insurance Division 2020 W El Camino Ave Sacramento, CA 95833-2988	CANCELLATION 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 State of California - Health & Human Services Ag Dept of Social Services, Community Care Licensing 101 Golf Course Dr A-230 Rohnert Park, CA 94928	CANCELLATION 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, 2023 and 2022

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

Notes to Financial Statements
December 31, 2023 and 2022

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Financial Statements	
Balance Sheets	3
Statements of Operations and Changes in Net Assets	4
Statements of Cash Flows	5
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 corporation) (PVE), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and changes in net assets and cash flows for the years 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, 2023 and 2022, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits 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.

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 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.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

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
September 9, 2024

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

Balance Sheets

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,432,574	\$ 2,386,644
Assets whose use is limited	8,276,057	8,232,936
Investments	20,016,706	23,891,305
Accounts receivable, net	1,552,867	1,930,260
Entrance fees receivable	1,319,000	1,124,500
Prepaid expenses and other current assets	<u>1,764,925</u>	<u>1,697,340</u>
Total current assets	34,362,129	39,262,985
Assets Whose Use is Limited	21,999,090	17,258,253
Property and Equipment, Net	<u>170,167,701</u>	<u>174,374,215</u>
Total assets	<u>\$ 226,528,920</u>	<u>\$ 230,895,453</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 871,597	\$ 1,339,668
Retainage payable	3,290,979	3,290,979
Accrued personnel expenses	787,220	1,279,309
Accrued compensated annual leave	1,284,837	1,392,035
Accrued interest	2,442,151	2,581,789
Current portion of long-term debt	<u>3,475,000</u>	<u>3,320,000</u>
Total current liabilities	12,151,784	13,203,780
Long-Term Debt, Net	98,648,313	108,236,264
Entrance Fee Deposits	3,598,172	331,172
Refundable Entrance Fees	12,793,202	9,301,324
Deferred Revenue From Entrance Fees	<u>76,367,379</u>	<u>74,782,621</u>
Total liabilities	<u>203,558,850</u>	<u>205,855,161</u>
Net Assets		
Without donor restriction	20,539,804	22,704,301
With donor restriction	<u>2,430,266</u>	<u>2,335,991</u>
Total net assets	<u>22,970,070</u>	<u>25,040,292</u>
Total liabilities and net assets	<u>\$ 226,528,920</u>	<u>\$ 230,895,453</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Change in Net Assets Without Donor Restrictions		
Revenues:		
Net resident service revenues	\$ 42,580,843	\$ 39,738,608
Other operating revenue	1,156,734	683,740
Net assets released from restrictions	<u>132,339</u>	<u>145,181</u>
Total revenues	<u>43,869,916</u>	<u>40,567,529</u>
Expenses:		
Salaries and benefits	22,244,191	23,474,170
Depreciation	7,829,869	7,733,741
Interest	4,667,640	6,008,552
Purchased services	3,686,276	3,281,686
Utilities	3,057,510	2,995,827
Food and beverage costs	2,364,114	2,344,863
Other operating expenses	2,004,725	2,128,948
Repairs and maintenance	1,191,404	814,603
Insurance	1,037,816	948,099
Supplies	1,035,731	1,246,750
Credit loss expense	442,609	975,248
Marketing and advertising	<u>436,277</u>	<u>564,877</u>
Total expenses	<u>49,998,162</u>	<u>52,517,364</u>
Operating loss	(6,128,246)	(11,949,835)
Other income (loss):		
Contributions	-	1,300,000
Investment return (loss)	<u>3,963,749</u>	<u>(6,614,937)</u>
Revenue less than expenses and change in net assets without donor restrictions	<u>(2,164,497)</u>	<u>(17,264,772)</u>
Change in Net Assets With Donor Restriction		
Restricted contributions	226,614	240,584
Net assets released from restrictions	<u>(132,339)</u>	<u>(145,181)</u>
Change in net assets with donor restrictions	<u>94,275</u>	<u>95,403</u>
Change in net assets	(2,070,222)	(17,169,369)
Net Assets, Beginning	<u>25,040,292</u>	<u>42,209,661</u>
Net Assets, Ending	<u><u>\$ 22,970,070</u></u>	<u><u>\$ 25,040,292</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, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Cash received from residents with continuing-care contracts	\$ 28,479,533	\$ 25,251,735
Cash received related to residents who did not have a continuing-care contract	5,929,031	5,139,060
Contributions and other revenue	1,383,348	2,224,324
Proceeds from nonrefundable entrance fees and entrance fee deposits, existing units	8,812,200	4,916,015
Investment income received	1,089,617	934,169
Interest paid, net of amounts capitalized	(4,930,229)	(5,251,604)
Cash paid to employees and suppliers	<u>(38,635,596)</u>	<u>(38,305,724)</u>
Net cash provided by (used in) operating activities	<u>2,127,904</u>	<u>(5,092,025)</u>
Cash Flows From Investing Activities		
Net sales (purchases) of assets whose use is limited	937,378	(1,034,806)
Net sales of investments	6,748,731	10,883,466
Purchases of property and equipment	<u>(3,623,355)</u>	<u>(4,626,438)</u>
Net cash provided by investing activities	<u>4,062,754</u>	<u>5,222,222</u>
Cash Flows From Financing Activities		
Payments on long-term debt	(9,310,000)	(10,740,000)
Proceeds from refundable entrance fees, existing units	3,738,150	743,755
Proceeds from entrance fees, new units	4,834,950	7,552,895
Refunds of entrance fees	<u>(686,492)</u>	<u>(2,709,110)</u>
Net cash used in financing activities	<u>(1,423,392)</u>	<u>(5,152,460)</u>
Net change in cash, cash equivalents and restricted cash and cash equivalents	4,767,266	(5,022,263)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>15,872,501</u>	<u>20,894,764</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u><u>\$ 20,639,767</u></u>	<u><u>\$ 15,872,501</u></u>
Noncash Investing Activities		
Purchase of property and equipment, accrued but not paid	<u>\$ -</u>	<u>\$ 3,290,979</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 1,432,574	\$ 2,386,644
Cash and cash equivalents included in assets whose use is limited	<u>19,207,193</u>	<u>13,485,857</u>
Total cash, cash equivalents and restricted cash and cash equivalents	<u><u>\$ 20,639,767</u></u>	<u><u>\$ 15,872,501</u></u>

See notes to financial statements

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

Notes to Financial Statements
December 31, 2023 and 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 (CCRC) 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 include cash and cash equivalents restricted in their use by debt agreements or donors.

Accounts Receivable and Entrance Fee Receivables

Resident accounts receivable are reported net of an allowance for credit losses, which represents PVE's estimate of expected losses as of the balance sheet date. The adequacy of PVE's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analysis of receivables portfolios by payor source, aging of receivables, a review of specific accounts, as well as expected future economic conditions and market trends and adjustments are made to the allowance as necessary. The allowance for credit losses was approximately \$413,000 and \$950,000 at December 31, 2023 and December 31, 2022, respectively.

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, 2023 and 2022

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; and a refund reserve to fund the payment of entrance fee refunds. Amounts available to meet current liabilities have been classified as current assets on the balance sheets.

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 return (loss) is included in operating loss unless the investment return (loss) 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.

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 2023 or 2022.

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, 2023 and 2022. Accumulated amortization was \$3,600,895 and \$3,215,690 at December 31, 2023 and 2022, respectively. Amortization expense is recorded as an adjustment to interest expense and was \$385,205 and \$1,377,795 in 2023 and 2022, respectively.

Bond premiums totaled \$13,040,724 at December 31, 2023 and 2022. Accumulated amortization was \$4,363,346 and \$3,855,189 at December 31, 2023 and 2022, respectively. Amortization of the bond premiums is recorded as an adjustment to interest expense and was \$508,156 in 2023 and 2022.

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

Notes to Financial Statements
December 31, 2023 and 2022

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% refund plan and a 90% 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 until no entrance fee remains to be refunded. 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 until 50% of the entrance fee remains to be refunded. Under the 90% 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 until 95% of the entrance fee remains to be refunded. The 50% and 90% refund plans are generally only available to prospective residents that have not attained the age of 81 by the date of occupancy.

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 \$40,793,000 and \$38,110,000 at December 31, 2023 and 2022, respectively.

Amortization of entrance fees was \$8,549,672 in 2023 and \$8,935,235 in 2022. A significant portion of amortization revenue in 2023 and 2022 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.

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

Notes to Financial Statements
December 31, 2023 and 2022

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, 2023 or 2022.

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.

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.

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

Notes to Financial Statements
December 31, 2023 and 2022

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 expenses as reflected in the accompanying statements of operations and changes in net assets. Revenues less than expenses includes all changes in net assets other than changes in net assets with donor restrictions.

Reclassifications

For comparability, certain December 31, 2022 amounts have been reclassified, where appropriate, to conform to the financial statement presentation at December 31, 2023.

Subsequent Events

PVE evaluated subsequent events for recognition or disclosure through September 9, 2024, the date the financial statements were issued.

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

Notes to Financial Statements
December 31, 2023 and 2022

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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,432,574	\$ 2,386,644
Accounts receivable	1,552,867	1,930,260
Entrance fees receivable	1,319,000	1,124,500
Investments	<u>20,016,706</u>	<u>23,891,305</u>
Total	<u>\$ 24,321,147</u>	<u>\$ 29,332,709</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:

	<u>2023</u>			
	<u>Skilled Nursing</u>	<u>Assisted Living and Memory Care</u>	<u>Independent Living</u>	<u>Total</u>
Self-pay	\$ 1,865,233	\$ 4,004,609	\$ 23,621,301	\$ 29,491,143
Medicare and other	<u>4,540,028</u>	<u>-</u>	<u>-</u>	<u>4,540,028</u>
Total	<u>\$ 6,405,261</u>	<u>\$ 4,004,609</u>	<u>\$ 23,621,301</u>	34,031,171
Amortization of entrance fees				<u>8,549,672</u>
Net resident service revenues				<u>\$ 42,580,843</u>

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

Notes to Financial Statements
December 31, 2023 and 2022

	2022			
	Skilled Nursing	Assisted Living and Memory Care	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>

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, 2023 and 2022

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

		2023		
		Total	Level 1	Level 2
Assets:				
Investments and assets whose use is limited:				
Equity mutual funds	\$	8,056,821	\$ 8,056,821	\$ -
Fixed income mutual funds		5,855,340	5,855,340	-
Equity exchange-traded funds		5,188,228	5,188,228	-
Fixed income securities:				
Corporate bonds and securities		2,503,416		2,503,416
Municipal bonds		179,077	-	179,077
U.S. treasury obligations		3,038,245	-	3,038,245
U.S. government agency obligations		5,638,835	-	5,638,835
Foreign bonds		30,626	-	30,626
Total measured at fair value		30,490,588	\$ 19,100,389	\$ 11,390,199
Cash and cash equivalents		19,801,265		
Total investments and assets whose use is limited	\$	50,219,853		
		2022		
		Total	Level 1	Level 2
Assets:				
Investments and assets whose use is limited:				
Equity mutual funds	\$	9,949,415	\$ 9,949,415	\$ -
Fixed income mutual funds		6,529,119	6,529,119	-
Equity exchange-traded funds		4,317,527	4,317,527	-
Fixed income securities:				
Corporate bonds and securities		3,361,910	-	3,361,910
Municipal bonds		156,333	-	156,333
U.S. treasury obligations		3,607,984	-	3,607,984
U.S. government agency obligations		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		

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

Notes to Financial Statements
December 31, 2023 and 2022

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. Total investments and assets whose use is limited are presented on the balances sheets as follows:

	<u>2023</u>	<u>2022</u>
Current portion of assets whose use is limited	\$ 8,276,057	\$ 8,232,936
Investments	20,016,706	23,891,305
Assets whose use is limited	<u>21,999,090</u>	<u>17,258,253</u>
 Total investments and assets whose use is limited	 <u>\$ 50,291,853</u>	 <u>\$ 49,382,494</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, 2023 and 2022.

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

Corporate bonds and securities, municipal bonds, corporate obligations, U.S. treasury obligations, U.S. government agency obligations and foreign bonds 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, 2023 and 2022 were sufficient to meet this requirement.

Assets whose use is limited are classified as follows:

	<u>2023</u>	<u>2022</u>
Assets whose use is limited:		
Under trust indenture, held by trustee:		
Liquid reserve funds	\$ 6,277,899	\$ 6,174,346
Bond principal funds	3,475,024	3,320,215
Bond interest funds	2,332,812	2,455,222
Project fund	2,468,221	2,454,056
Redemption fund	478,000	1,921,003
Capitalized interest fund	<u>-</u>	<u>3,443</u>
	15,031,956	16,328,285
Other:		
Entrance fee refund reserve and entrance fee deposits	11,734,798	5,740,573
Benevolence fund	2,396,021	2,229,167
Other	599,897	775,081
Ziegler Link-Age fund	425,000	325,000
Charitable annuities	<u>87,475</u>	<u>93,083</u>
 Total assets whose use is limited	 30,275,147	 25,491,189
Less current portion	<u>(8,276,057)</u>	<u>(8,232,936)</u>
 Assets whose use is limited	 <u>\$ 21,999,090</u>	 <u>\$ 17,258,253</u>

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

Notes to Financial Statements
December 31, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>
Investment income:		
Interest and dividends, net	\$ 1,089,617	\$ 934,169
Net realized (loss) gain on sales of investments	(43,611)	406,209
Change in net unrealized gains and losses on investments	<u>2,917,743</u>	<u>(7,955,315)</u>
Total investment return (loss)	<u>\$ 3,963,749</u>	<u>\$ (6,614,937)</u>

6. Property and Equipment, Net

A summary of property and equipment is as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 9,872,311	\$ 9,872,311
Land improvements	21,824,064	21,550,460
Buildings and improvements	195,831,090	193,446,869
Furniture and equipment	27,910,991	27,567,968
Vehicles	<u>842,395</u>	<u>1,037,397</u>
	256,280,851	253,475,005
Less accumulated depreciation	<u>(87,803,371)</u>	<u>(80,197,234)</u>
	168,477,480	173,277,771
Construction in progress	<u>1,690,221</u>	<u>1,096,444</u>
Total	<u>\$ 170,167,701</u>	<u>\$ 174,374,215</u>

PVE had retainage payable of \$3,290,979 on its balance sheet at December 31, 2023 and 2022. The retainage payable represents an estimate of the final payment due to the contractor in connection with 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). Negotiations related to the final payment amount are ongoing.

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 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.

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Notes to Financial Statements
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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 were due in July 2024 (\$17,000,000) and July 2025 (\$12,100,000). Proceeds from entrance fees for the new IL units are being used to repay the Series 2019B Bonds prior to maturity. Through December 31, 2023, PVE made payments on the Series 2019B Bonds of \$24,850,000. The remaining Series 2019B Bonds mature in July 2025 and bear interest at 2.25% payable semi-annually.

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, 2023, 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, 2023 and 2022

Long-Term Debt Summary

Long-term debt was as follows at December 31:

	<u>2023</u>	<u>2022</u>
Series 2019A Bonds	\$ 66,585,000	\$ 66,585,000
Series 2019B Bonds	4,250,000	10,240,000
Series 2016 Bonds	18,995,000	19,560,000
Series 2013 Bonds	<u>9,090,000</u>	<u>11,845,000</u>
Total	98,920,000	108,230,000
Additions/deductions:		
Debt issuance costs, net	(5,474,066)	(5,859,271)
Unamortized original issue bond premiums	8,677,379	9,185,535
Current maturities	<u>(3,475,000)</u>	<u>(3,320,000)</u>
Long-term debt	<u>\$ 98,648,313</u>	<u>\$ 108,236,264</u>

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

Years ending December 31:	
2024	\$ 3,475,000
2025	7,880,000
2026	3,770,000
2027	2,045,000
2028	2,145,000
Thereafter	<u>79,605,000</u>
Total	<u>\$ 98,920,000</u>

8. Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Benevolence fund	\$ 1,989,425	\$ 2,030,769
Other	<u>440,841</u>	<u>305,222</u>
Total	<u>\$ 2,430,266</u>	<u>\$ 2,335,991</u>

9. Defined Contribution Plan

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 \$492,161 in 2023 and \$487,870 in 2022.

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

Notes to Financial Statements
December 31, 2023 and 2022

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 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 \$575,000 and \$675,000 related to an investment in the Ziegler Link-Age fund as of December 31, 2023 and 2022, respectively.

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 \$172,208 and \$300,000 as of December 31, 2023 and 2022, respectively, and is included in accounts payable and accrued expenses in the accompanying balance sheet.

The Organization had its Paycheck Protection Program (PPP) loan in the amount of \$3,328,396 forgiven during 2021. The Small Business Administration (SBA) reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the Coronavirus Aid, Relief, and Economic Security (CARES) Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

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

Notes to Financial Statements
December 31, 2023 and 2022

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 2023 and 2022:

	2023		
	Program Services	General and Administrative	Total
Salaries and benefits	\$ 18,061,496	\$ 4,182,695	\$ 22,244,191
Depreciation	7,829,869	-	7,829,869
Interest	4,667,640	-	4,667,640
Purchased services	1,429,993	2,256,283	3,686,276
Utilities	3,057,510	-	3,057,510
Food and beverage costs	2,364,114	-	2,364,114
Other operating expenses	537,550	1,467,175	2,004,725
Repairs and maintenance	1,190,357	1,047	1,191,404
Insurance	-	1,037,816	1,037,816
Supplies	854,256	181,475	1,035,731
Credit loss expense	-	442,609	442,609
Marketing and advertising	-	436,277	436,277
Total	<u>\$ 39,992,785</u>	<u>\$ 10,005,377</u>	<u>\$ 49,998,162</u>

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

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, 2023

**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, 2023, 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, 2023 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 GAAS. 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

San Francisco, California
September 9, 2024

**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, 2023

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	04/04/2013	\$ 2,755,000	\$ 552,536	\$ -	3,307,536
2	11/30/2016	565,000	793,300	-	1,358,300
3	02/21/2019	5,990,000	3,584,393	-	9,574,393
Total		\$ 9,310,000	\$ 4,930,229	\$ -	14,240,229

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

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, 2023

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Recent Payment on the Debt	(d) Number of Payments Over Next Twelve Months	(e) 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, 2023

Line		Total
1	Total from Form 5-1 bottom of Column (e)	\$ 14,240,229
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	\$ 14,240,229

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, 2023

Line		Amount	Total
1	Total operating expenses from financial statements		\$ 49,998,162
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$ 4,930,229	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	-	
	c. Depreciation	7,829,869	
	d. Amortization	(122,951)	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract.	5,929,031	
	f. Extraordinary expenses approved by the Department	-	
3	Total deductions		18,566,178
4	Net operating expenses		31,431,984
5	Divide Line 4 by 365 and enter the result.		86,115
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$ 6,458,627

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, 2023

Provider Name: Northern California Retired Officers Community d.b.a. Paradise Valley Estates
Fiscal Year End: December 31, 2023

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2023 and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt service reserve amount	<u>\$ 14,240,229</u>
[2] Operating expense reserve amount	<u>6,458,627</u>
[3] Total liquid reserve amount	<u>\$ 20,698,856</u>

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

<u>Qualifying Asset Description</u>	<u>Amount</u> <u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and cash equivalents	<u>\$ -</u>	<u>\$ 1,432,874</u>
[5] Investment Securities	<u>\$ 1,676,494</u>	<u>\$ 18,340,212</u>
[6] Equity Securities	<u>\$ -</u>	<u>\$ -</u>
[7] Unused/Available lines of credit	<u>\$ -</u>	<u>\$ -</u>
[8] Unused/Available letters of credit	<u>\$ -</u>	<u>\$ -</u>
[9] Debt service reserve	<u>\$ 12,563,735</u>	<u>\$ -</u>
[10] Other:	<u>\$ -</u>	<u>\$ -</u>
<u>(describe qualifying asset)</u>		
Listed for reserve obligation	[11] <u>\$ 14,240,229</u>	[12] <u>\$ 19,773,086</u>
Reserve obligation amount	[13] <u>\$ 14,240,229</u>	[14] <u>\$ 6,458,627</u>
Surplus/(Deficiency)	[15] <u>\$ -</u>	[16] <u>\$ 13,314,459</u>

Signature:



(Authorized Representative)

Date: _____

Chief Executive Officer

(Title)

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

Notes to Continuing Care Liquid Reserve Schedules
December 31, 2023

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 (CCRC) by the State of California, Department of Social Services.

2. Basis of Accounting

The accompanying continuing care liquid reserve schedules, Form 5-1 through 5-5, 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 PVE'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, 2023

Form 5-4 Reconciliation 1

Total operating expenses (Form 5-4, Line 1)	\$ 49,998,162
Mean number of all residents (Form 1-1, Line 10)	<u>508</u>
Per capita cost of operations	<u><u>\$ 98,422</u></u>

Form 5-4 Reconciliation 2e

Health services	\$ 10,409,870
Resident services	23,621,301
Change in accounts receivable	377,393
Less CCRC and other revenue	(4,858,232)
Less IL revenue	<u>(23,621,301)</u>
	<u><u>\$ 5,929,031</u></u>

Form 5-4 Reconciliation 2c and 2d

Depreciation and amortization expense	\$ 7,706,918
Less amortization	<u>122,951</u>
	<u><u>\$ 7,829,869</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, 2023

Form 5-5 Reconciliation

Debt Service Reserve

2013 Bond Funds:

Interest fund	\$ 203,578
Principal fund	2,895,020
Reserve fund	<u>3,230,975</u>
	<u>6,329,573</u>

2016 Bond Funds:

Interest fund	389,383
Principal fund	<u>580,004</u>
	<u>969,387</u>

2019 Bond Funds:

Interest fund	1,739,851
Reserve fund	3,046,924
Redemption fund	<u>478,000</u>
	<u>5,264,775</u>

Total debt service reserve	12,563,735
2019 Bond Project Fund	2,468,221
Other assets limited as to use	<u>15,243,191</u>
Total assets limited as to use	<u><u>\$ 30,275,147</u></u>

PART 6

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE STATEMENT

**CONTINUING CARE RETIREMENT COMMUNITY
DISCLOSURE STATEMENT**

Date Prepared: 11/5/24

Facility Name: Paradise Valley Estates

Address: 2600 Estates Drive

Zip Code: 94533

Phone: (707) 432-1100

Provider Name:

Northern California Retired Officers Community

Facility Operator: Kevin Burke, CEO

Religious Affiliation: None

Year Opened: 1997 # of Acres: 76

Miles to Shopping Center: 1.2

Miles to Hospital: 3.2

☐ Single Story☐ Multi-Story☒ Other: Both

Number of Units: 312

Residential Living **Number of Units**

Apartments – Studio: 0

Apartments – 1 Bdrm: 36

Apartments – 2 Bdrm: 135

Cottages/Houses: 220

Health Care**Number of Units**

Assisted Living: 60

Skilled Nursing: 60

Special Care: 20

Description: Memory Care Assisted Living

RLU Occupancy (%) at Year End: 80%

Type of Ownership: ☒ Not for Profit
☐ For Profit**Accredited?** ☒ Yes By: CARF
☐ No**Form of Contact:** ☒ Continuing Care ☐ Life Care ☐ Entrance Fee ☐ Fee for Service
(Check all that apply) ☐ Assignment of Assets ☐ Equity ☐ Membership ☒ Rental**Refund Provisions:** ☒ Refundable ☒ 90% ☒ 50%
(Check all that apply) ☐ Repayable ☐ 75% ☐ Other:**Range of Entrance Fees:** \$244,000 - \$1,375,600**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 Members 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

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.

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/	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Billiard Room	<input type="checkbox"/>	<input type="checkbox"/>	Month at \$ <u>27.50</u> each)		
Bowling Green	<input type="checkbox"/>	<input type="checkbox"/>	Meals (<u>1</u> /Day)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Card Rooms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Special Diets Available	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Chapel	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Coffee Shop	<input type="checkbox"/>	<input checked="" type="checkbox"/>	24-Hour Emergency Response	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Craft Rooms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Activities Program	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Exercise Room	<input checked="" type="checkbox"/>	<input type="checkbox"/>	All Utilities Except Phone	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Golf Course Access	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Apartment Maintenance	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Library	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cable TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Putting Green	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Linens Furnished	<input type="checkbox"/>	<input type="checkbox"/>
Shuffleboard	<input type="checkbox"/>	<input type="checkbox"/>	Linens Laundered	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Spa	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Medication Management	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Swimming Pool –	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Nursing/Wellness Clinic	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Indoor			Personal Home Care	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Swimming Pool –	<input type="checkbox"/>	<input type="checkbox"/>	Transportation – Personal	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Outdoor			Transportation – Prearranged	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tennis Court	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Other: _____	<input type="checkbox"/>	<input type="checkbox"/>
Workshop	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Other: <u>Bocce Ball</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

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

Affiliated CCRCs	Location (city, state)	Phone (with area code)

Multi-Level Retirement Communities	Location (city, state)	Phone (with area code)

Free-Standing Skilled Nursing	Location (city, state)	Phone (with area code)

Subsidized Senior Housing	Location (city, state)	Phone (with area code)

NOTE: Please indicate if the facility is a life care facility.

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

Income and Expenses [Year]	2020	2021	2022	2023
Income from Ongoing Operations				
Operating Income (Excluding amortization of entrance fee income)	35,232,967	32,680,491	31,632,294	36,409,861
Less Operating Expenses (Excluding depreciation, amortization, and interest)	(31,652,716)	(31,963,050)	(38,775,071)	(37,500,653)
Net Income From Operations	3,580,251	717,441	(7,142,777)	(1,090,792)
Less Interest Expense	(1,080,596)	(1,924,351)	(6,008,552)	(4,666,014)
Plus Contributions	584,676	223,724	1,300,000	226,614
Plus Non-Operating Income (Expenses) (Excluding extraordinary items)	258,428	3,355,625	(6,614,937)	2,741,793
Net Income (Loss) Before Entrance Fees, Depreciation And Amortization	3,342,786	2,372,439	(18,466,266)	(2,788,399)
Net Cash Flow From Entrance Fees (Total Deposits Less Refunds)	5,639,200	6,216,286	4,146,033	8,791,358

Description of Secured Debt (as of most recent fiscal year end)

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
US Bank	70,835,000	2%-3.5%	2019	2027-2049	30 years
US Bank	18,995,000	2.37%-5%	2016	2047	30 years
US Bank	9,090,000	3.5%-5%	2013	2026	13 years

Financial Ratios (see last page for ratio formulas)

Financial Ratios [Year]	CCAC Medians 50th Percentile (optional)	2021	2022	2023
Debt to Asset Ratio		45.5%	45.4%	43.5%
Operating Ratio		103.6%	131.8%	116.2%
Debt Service Coverage Ratio		1.72	.14	.73
Days Cash On Hand Ratio		544	223	191

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

Historical Monthly Service Fees (Average Fee and Change Percentage)

Residence/Service [Year]	2020	%	2021	%	2022	%	2023	%
Studio	3,231	4.5	3,376	4.5	3,579	6	3,865	8
One Bedroom	4,887	4.5	5,107	4.5	5,413	6	5,846	8
Cottage/House	5,086	4.5	5,315	4.5	5,634	6	6,085	8
Assisted Living	4,849	4.5	5,164	6.5	5,474	6	5,912	8
Skilled Living	4,849	4.5	5,164	6.5	5,474	6	5,912	8
Special Care	4,849	4.5	5,164	6.5	5,474	6	5,912	8

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

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

Debt Service Coverage Ratio

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

Days Cash On Hand Ratio

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

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

Complete **Form 7-1** to report the monthly care fee increase (MCFI) for **each** community operated by the Provider. If no adjustments were made during the reporting period for a community, indicate by checking the box below **Line [2]**. Providers must complete a separate Form 7-1 for each of their continuing care retirement communities.

1. On **Line 1**, enter the amount of monthly care fees for each level of care at the *beginning* of the reporting period.
2. On **Line 2**, indicate the percentage(s) of increase in fees implemented during the *reporting* period.
3. On **Line 3**, indicate the date the fee increase was implemented. If more than one (1) increase was implemented, indicate the date(s) for each increase.
4. Check *each* of the appropriate boxes.
5. Provide a detailed explanation for the increase in monthly care fees including the total dollar amount for the community overall and corresponding percentage increase for each level of care in compliance with the Health and Safety Code. The explanation shall set forth the reasons, by department cost centers, for any increase in monthly care fee. It must include if the change in monthly care fees is due to any actual or projected costs related to any other CCRC community or enterprise affiliated with the provider or parent company.

The methodology used to budget future costs should align with one or more of the following factors: "projected costs, prior year per capita costs and economic indicators." Describe the methodology used for single or multiple communities. If there are multiple MCFI percentages, i.e., by level of care, a separate explanation for each MCFI will be required.

Also, if there is a positive result of operations, the provider will need to explain how the funds will be used and/or distributed consistent with disclosures made in the applicable sections of the Continuing Care Contract.

This attachment should include the data used in the Monthly Care Fee Increase meeting presentation provided to residents, which will also include actual results and an explanation of any variances.

NOTE: Providers shall retain all documents related to the development of adjusted fees at their respective communities for a period of at least three years, i.e., budgets, statements of operations, cost reports, used near the end of the prior fiscal year to develop adjustments implemented in the current reporting period. These documents must be available for review upon request by the Department.

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

	RESIDENTIAL LIVING	ASSISTED LIVING	MEMORY CARE	SKILLED NURSING
1. Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	\$3,471-\$7,315	\$5,441-\$5,958	\$5,441-\$5,958	\$5,441-\$5,958
2. Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	8%	8%	8%	8%

☐ Check here if monthly care fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

3. Indicate the date the fee increase was implemented: January 1, 2024
(If more than one (1) increase was implemented, indicate the dates for each increase.)

4. Check each of the appropriate boxes:

- ☒ Each fee increase is based on the Provider's projected costs, prior year per capita costs, and economic indicators.
- ☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

Date of Notice: October 31, 2023 **Method of Notice:** Letter

☒ 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:** October 2, 2023

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

☒ The Provider distributed the documents to all residents by [Optional - check all that apply]:

- ☒ Emailed the documents to those residents for whom the provider had email addresses on file
- ☒ Placed hard copies in resident cubby
- ☒ Placed hard copies at designated locations
- ☒ Provided hard copies to residents upon request, and/or
- ☒ Other: [please describe] mailed to responsible parties

☒ **Date of Notice:** October 31, 2023

- ☒ The Provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

Date of Notice: September 8, 2023

- ☒ 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: September 8, 2023 **Location of Posting:** newsletter, intranet (PVE Pulse), town hall

- ☒ Providers evaluated the effectiveness of consultations during the annual budget planning process at a minimum of every two years by the continuing care retirement community administration. The evaluation, including any policies adopted relating to cooperation with residents was made available to the resident association or its governing body, or, if neither exists, to a committee of residents at least 14 days prior to the next semiannual meeting of residents and the Provider's governing body and posted a copy of that evaluation in a conspicuous location at each facility.

Date of Posting: September 8, 2023 **Location of Posting:** Intranet (PVE Pulse)

5. On an attached page, provide a detailed explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code.

PROVIDER: Northern California Retired Officers Comm. **COMMUNITY:** Paradise Valley Estates

Summary of Documents Used in Determining Rate Adjustment

The following documents were used in developing the monthly fee adjustments for 2023

NCROC Operating Budget for 2023	Internally developed document detailing all revenues and expenses for projected fiscal year 2023. 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 2022, based on actual performance.

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 2023 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.

ATTACHMENT TO FORM 7-1

REPORT ON CCRC MONTHLY SERVICE FEES

EXPLANATION FOR THE 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 the highest level of service and value while also ensuring the long-term financial sustainability of the organization.

For 2023, service fees for Independent Living were increased by 8.0% for all levels of care. The reason for these increases was to offset a projected operating loss. The largest cost increase in 2023 was for labor, which represents roughly 60% of the operating expense budget. Increases related to minimum wage mandates, merit increases, and market factors for 2023.

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 2023. 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,	
	2023	2022
2013 Bond funds:		
Interest fund	203,578	272,425
Principal fund	2,895,020	2,755,161
Reserve fund	3,230,975	3,238,662
	<u>6,329,573</u>	<u>6,266,248</u>
2016 Bond funds:		
Interest fund	389,383	396,091
Revenue fund	-	-
Project fund	-	-
Principal fund	580,004	565,055
	<u>969,388</u>	<u>961,146</u>
2019 Bond funds:		
Capitalized Interest fund	-	3,442
Interest fund	1,739,851	1,786,706
Revenue fund	-	-
Redemption fund	478,000	1,921,004
Project fund	2,468,221	2,454,056
Reserve fund	3,046,924	2,935,684
	<u>7,732,996</u>	<u>9,100,892</u>
<u>Other Limited Use fund</u>		
Benevolence fund	2,390,472	2,229,167
Entrance fee refund escrow	7,967,998	5,740,573
Ziegler LinkAge fund	425,000	325,000
Charitable annuities	87,475	93,083
Other	-	-
	<u>10,870,945</u>	<u>8,387,823</u>
	<u>\$ 25,902,903</u>	<u>\$ 24,716,109</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)	\$ 49,998,162
Mean number of all residents (Form 1-1, Line 10)	544
	<u>\$ 91,908</u>

PART 8

KEY INDICATORS REPORT

KEY INDICATORS REPORTDate Prepared: 10/14/2024Provider Name: Northern CA Retired Officers Community***Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.***

Chief Executive Officer Signature

	Projected					Forecast					Preferred Trend Indicator
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
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)											

PART 9

REFUND RESERVE REPORT

FOR

REFUNDABLE CONTRACTS

**FORM 9-1
CALCULATION OF REFUND RESERVE AMOUNT**

12/31/2023

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[9]	[10]	
	Resident Name	Sex	DOB	Entrance Fee	Refund %	Refund Amount	Age	Life Exp.	Present Value Multiplier	Present Value of Refund
1				\$ 784,800.00	90%	706,320	83	10.4	0.546	385,319
2				\$ 592,900.00	95%	563,255	93	6.3	0.693	390,192
3				\$ 1,206,600.00	95%	1,146,270	79	10.9	0.530	607,370
4				\$ 995,700.00	90%	896,130	76	12.6	0.480	430,048
5				\$ 364,234.00	50%	182,117	87	8.6	0.606	110,337
6				\$ 718,830.00	95%	682,889	95	4.6	0.765	522,327
7				\$ 418,900.00	50%	209,450	88	8.2	0.620	129,889
8				\$ 383,040.00	50%	191,520	97	5.2	0.739	141,457
9				\$ 430,600.00	50%	215,300	81	9.8	0.565	121,632
10				\$ 782,900.00	95%	743,755	80	11.9	0.500	371,783
11				\$ 737,400.00	50%	368,700	83	10.4	0.546	201,137
12				\$ 587,200.00	95%	557,840	91	7.0	0.665	370,995
13				\$ 470,900.00	50%	235,450	84	9.9	0.562	132,242
14				\$ 1,189,500.00	90%	1,070,550	77	13.6	0.453	484,671
15				\$ 624,300.00	50%	312,150	77	12.0	0.497	155,129
16				\$ 349,350.00	50%	174,675	73	14.3	0.435	75,920
17				\$ 460,500.00	50%	230,250	88	6.7	0.677	155,830
18				\$ 1,005,200.00	95%	954,940	81	9.8	0.565	539,484
19				\$ 655,500.00	50%	327,750	86	9.0	0.592	193,995
20				\$ 334,400.00	50%	167,200	90	6.0	0.705	117,869
21				\$ 737,400.00	50%	368,700	78	11.4	0.515	189,752
22				\$ 653,550.00	50%	326,775	82	9.3	0.582	190,066
23				\$ 857,000.00	95%	814,150	90	6.0	0.705	573,944
24				\$ 407,513.00	50%	203,757	94	4.8	0.756	154,043
25				\$ 365,600.00	50%	182,800	88	8.2	0.620	113,362
26				\$ 955,800.00	95%	908,010	75	13.1	0.466	423,237
				\$17,069,617		\$12,740,702				

TOTAL AMOUNT REQUIRED FOR REFUND RESERVE : \$7,282,031

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

Investment Entrance Fee Account Balance
Overfunded/(Underfunded)

\$7,967,998
685,967