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forvis.com

Independent Auditor's Report on Supplemental Information

Board of Directors
Town and Country Manor of
The Christian and Missionary Alliance
Santa Ana, California

We have audited the financial statements of Town and Country Manor of The Christian and Missionary Alliance (Town and Country) as of and for the years ended June 30, 2022 and 2021, and have issued our report thereon dated September 27, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Forms 5-1 through 5-5 of the accompanying Annual Reserve Report (Multi-CRC Provider) is presented for purposes of additional analysis and for compliance with the requirements of the State of California Health and Safety Code Section 1792 and is not a required part of the financial statements. 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our report is intended solely for the information and use of the Board of Directors and management of Town and Country and for filing with the State of California Department of Social Services and is not intended to be and should not be used for any other purpose or by anyone other than these specified parties.

FORVIS, LLP

Colorado Springs, Colorado
September 27, 2022

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	20
[2]	Number at end of fiscal year	19
[3]	Total Lines 1 and 2	39
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	19.5
All Residents		
[6]	Number at beginning of fiscal year	181
[7]	Number at end of fiscal year	235
[8]	Total Lines 6 and 7	416
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	208.0
[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).	0.09

FORM 1-2
ANNUAL PROVIDER FEE

Line		TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$25,937,481
[a]	Depreciation	\$1,798,038
[b]	Debt Service (Interest Only)	\$1,634,108
[2]	Subtotal (add Line 1a and 1b)	\$3,432,146
[3]	Subtract Line 2 from Line 1 and enter result.	\$22,505,335
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	9%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$2,025,480
		x .001
[6]	Total Amount Due (multiply Line 5 by .001)	\$2,025

PROVIDER	Town & Country
COMMUNITY	Town & Country

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	06/13/19	\$620,000	\$1,634,108		\$2,254,108
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:			\$1,634,108	\$0	\$2,254,108

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

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

PROVIDER: Town & Country

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

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

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

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

PROVIDER: Town & Country

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$2,254,108
2	Total from Form 5-2 bottom of Column (e)	\$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$2,254,108

PROVIDER: Town & Country

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$25,937,481</u>
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	<u>\$1,634,108</u>	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	<u></u>	
c.	Depreciation	<u>\$1,798,038</u>	
d.	Amortization	<u>-\$311,669</u>	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$20,620,435</u>	
f.	Extraordinary expenses approved by the Department	<u></u>	
3	Total Deductions		<u>\$23,740,912</u>
4	Net Operating Expenses		<u>\$2,196,569</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$6,018</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$451,350</u></u>
PROVIDER:	<u>Town & Country</u>		
COMMUNITY:	<u>Town & Country</u>		

Fiscal Year Ended: 6/30/2022

Form 5-4 line 2e	\$ 20,620,435
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FORM 5-5
ANNUAL RESERVE CERTIFICATION DRAFT

Provider Name: Town & Country

Fiscal Year Ended: 6/30/2022

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 6/30/2022 and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$2,254,108
[2] Operating Expense Reserve Amount	\$451,350
[3] Total Liquid Reserve Amount:	\$2,705,458

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

<u>Qualifying Asset Description</u>	<u>Amount</u> (market value at end of quarter)	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents		\$2,392,934
[5] Investment Securities		\$3,949,648
[6] Equity Securities		\$4,814,721
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve	\$1,123,678	(not applicable)
[10] Other: Corporate Bonds & Bond ETF	\$1,251,730	
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	\$2,375,408 [12]	\$11,157,303
Reserve Obligation Amount: [13]	\$2,254,108 [14]	\$451,350
Surplus/(Deficiency): [15]	\$121,300 [16]	\$10,705,953

Signature:

(Authorized Representative)

Date:

9/28/22

Chief Executive Officer

(Title)

FORM 5-5
ANNUAL RESERVE CERTIFICATION - ATTACHMENT

Provider Name: Town & Country
Fiscal Year Ended: 6/30/2022

Description and amount of all reserves the provider currently designates and maintains.

Total Qualifying Assets as Filed

Description	Debt Service Reserve	Operating Reserve	Totals	Additional Comments
Cash & Cash Equivalents		2,392,934	2,392,934	Operating cash, CD's and money mkt mutual funds (less restricted funds)
Investment Securities		3,949,648	3,949,648	Mutual funds (bonds and foreign emerging mkts)
Equity Securities		4,814,721	4,814,721	
Debt Service Reserve	1,123,678		1,123,678	Certificates of Deposit
Other: Corporate Bonds & Bond Exchange Traded Funds	1,251,730		1,251,730	
Total Qualifying Assets as Filed	2,375,408	11,157,303	13,532,711	Total Short-Term Investments

Reserve & Designation

Designated for Debt Service	1,634,108		1,634,108	Interest Paid, Current Year
Designated for Debt Service	620,000		620,000	Principal Paid, Current Year
Designated for Operating Expense Reserves		451,350	451,350	As Calculated on Form 5-4, line 6
Total Reserves	2,254,108	451,350	2,705,458	
Remaining Reserves	121,300	10,705,953	10,827,253	

Reconciliation to Financial Statements

	Amount	Adjustments	Revised Total	Description
Cash shown on Balance Sheet, page 3	\$1,480,248	\$0	\$1,480,248	
Investments shown Note 3, page 16	14,352,000	-3,423,215	10,928,785	Deduct Alternative Investments
Bond Reserve Fund, included in balance of Assets Limited as to Use, Balance Sheet, page 3	1,123,678		1,123,678	Add Bond Reserve Fund
Total	\$16,955,926	-\$3,423,215	\$13,532,711	

FORM 5-5
ANNUAL RESERVE CERTIFICATION - SUPPLEMENTAL INFORMATION

Provider Name:	<u>Town & Country</u>
Fiscal Year Ended:	<u>6/30/2022</u>

Per Capita Cost of Operations

Total Operating Expenses	from Form 5-4, line 1	\$25,937,481
Mean Number of Total Residents	from Form 1-1, line 10	208.0
Total care days	from Form 1-1, line 5 x 365	75,920
Per Capita Cost of Operations		<u>\$341.64</u>

TOWN & COUNTRY
INTEREST RECONCILIATION
6/30/2022

Acct #	Description	Balance	Copier Lease			Total
		6/30/2022	Bond Interest	Interest	Amortization	
7500-1100-1	Interest - Copier Lease	\$3,117		\$3,117		\$3,117
7600-1000-1	Interest - Bonds	1,634,108	1,634,108			1,634,108
7601-1200-1	Bond Fees Amortized	5,074			5,124	5,124
7601-1050-1	Bond Premium Costs Amortized	-366,413			-366,413	-366,413
7601-1100-1	Amortized Bond Issuance Costs	49,620			49,620	49,620
		<u>\$1,325,506</u>	<u>\$1,634,108</u>	<u>\$3,117</u>	<u>-\$311,669</u>	<u>\$1,325,556</u>
		(a)	(b)	(c)	(e)	

TOWN & COUNTRY
DEPRECIATION & AMORTIZATION RECONCILIATION
6/30/2022

Acct #	Description	Balance
		6/30/2022
7110-0000-1	Depreciation - Land Improvements	\$18,471
7120-1000-1	Depreciation - Bldgs & Improvements	1,554,147
7130-1000-1	Depreciation - LHI	719
7140-1000-1	Depreciation - Equipment	176,095
7160-1000-1	Depreciation - Other	48,606
	Subtotal	<u>1,798,038</u> (f)
7601-1500-1	Amortization - Copier Lease	51,400 (g)
		<u>\$1,849,438</u> (d)

Notes:

- (a) total agrees to the bond interest expense total on page 5 of the financial stmts.
- (b) total entered on Form 1-2, line b and Form 5-1, column c and Form 5-4, line 2a.
- (c) total is included on Form 5-4, line 1 (total operating expenses) but is not deducted
- (d) total agrees to the depreciation & amortization total on page 5 of the financial stmts.
- (e) amortization entered on Form 5-4, line d
- (f) total entered on Form 1-2, line a and Form 5-4, line 2c.
- (g) Amortization of Copier Lease not included in amortization on Form 5-4

**ATTACHMENT TO FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES
EXPLANATION FOR INCREASE IN MONTHLY SERVICE FEES**

The purpose of Town & Country's annual budgeting and rate setting - process is to establish a financial plan that allows for the on-going operation of the community including meeting the needs of residents, attracting and retaining qualified staff, and appropriately maintaining building and grounds. Town & Country's board of directors reviews and approves the budget each year.

Total Revenues were expected to increase by 32.83% or \$5,793,177 in fiscal year ended 6/30/22 to \$23,441,336. Change in revenues was the result of projected census changes, rate increases and the opening of the new Memory Care building. Overall Independent Living revenues were projected to increase a total of \$555,093, offsetting Assisted Living revenues were expected to decrease by \$64,000 because of a slight decrease in census, and Skilled Nursing revenues are expected to increase \$666,563. The new Memory Care building was expected to be opened and generate \$4,635,520 in revenues in fiscal year ended 6/30/22.

Expenses were expected to increase by 26.37% or \$5,024,799 in fiscal year ended 6/30/22 to \$24,079,898. Labor related costs increases were the significant part of the increase due to the normal cost of living wage escalation, the California mandated increase in minimum wage beginning January 2022 from \$14 to \$15 per hour, and related wage compression because of the minimum wage increase. Also, another significant labor cost increase was due to hiring additional staff to operate the new Memory Care building. Other cost increases included employee medical insurance by 4% and food by 3%.

Independent and Assisted Living monthly fees were increased by 3%, and Private Pay Skilled Nursing rates were increased by 4%.

The projected 2022 net operating income shown on the following page allows the community to reinvest in the buildings and grounds so that current residents will be able to thrive in a safe and attractive environment, and to ensure marketability of the community to prospective residents.

Form 7-1 Attachment
Fiscal Year 2022 Monthly Care Fee Increase (MCFI)
Town and Country Manor (TCM)

		FYE 2020	FYE 2021	FYE 2022	Notes
1	2020 Operating Expenses (audited)	(\$20,127,602)			
2	2021 Operating Expenses (unaudited)		(\$19,055,099)		
3	2022 Projected Operating Expenses			(\$24,079,898)	1.
4	Projected 2022 Revenue without a MCFI			\$23,317,504	
5	Projected 2022 Net Results without MCFI			(\$762,394)	
6	Projected 2022 Revenue with MCFI 3 %			\$23,441,336	2.
7	Projected 2022 Net Operating Income After 3 % MCFI (Line 3 plus Line 6)			(\$638,562)	

Overall Revenue % Increase:	32.83%
Overall Expense % Increase:	26.37%
Independent Living Monthly Fee % Increase:	3.00%
Assisted Living Monthly Fee % Increase:	3.00%
Skilled Nursing Monthly Fee % Increase:	4.00%

Notes:

- Total projected increase in expenses is estimated at \$5,024,799 or 26.37% compared to prior year. Note a new Memory Care building was opened during the fiscal year
- This number is a hard entry, not a calculation. Note that a new Memory Care building was added to T&C's campus this year which added an additional level of care. T&C's four levels of care have projected census changes and various rate increases for next fiscal year. Total projected revenue is \$23,441,336 for FYE 6/30/22, and is a \$5,799,177 or 32.83% increase from prior year. The Independent Living MCFI of 3% is \$123,832 and is included in the \$5,799,177. Note Independent Living (IL) 3% was derived as a percentage of prior year revenues, \$4,127,746 X 3% = \$123,832. FYE 6/30/2022 revenue detail as follows:

Independent Living

FYE 6/30/2021 IL Room and Board revenues:	\$4,127,746
FYE 6/30/22:	
IL Room and Board revenues from 3% rate increase (MCFI):	123,832
IL Revenues increase in census:	461,015
IL Total Projected Room and Board Revenues	4,712,593
Other Contract Revenues & Ancillary Revenues	154,352
Amortized Entrance Fees	\$75,413
Total Independent Living Revenues	\$4,942,358

Assisted Living Revenues	\$3,352,932
Skilled Nursing Revenues	\$10,510,525
Memory Care Revenues	\$4,635,520
Overall FYE 6/30 /22 Projected Entity Revenues	\$23,441,336



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

5/10/2022

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

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

PRODUCER Arthur J. Gallagher & Co. Insurance Brokers of CA., Inc. LIC# 0726293 500 N. Santa Fe Visalia CA 93292	CONTACT NAME: Connie Collins PHONE (A/C, No., Ext): 559-302-2160 FAX (A/C, No): 559-733-5612 E-MAIL ADDRESS: connie_collins@ajg.com														
INSURED Town & Country Manor 555 E. Memory Lane Santa Ana CA 92706	INSURER(S) AFFORDING COVERAGE <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>INSURER</th> <th>NAIC #</th> </tr> </thead> <tbody> <tr> <td>INSURER A : Nationwide Mutual Insurance Company</td> <td>23787</td> </tr> <tr> <td>INSURER B : Depositors Insurance Company</td> <td>42587</td> </tr> <tr> <td>INSURER C : AMCO Insurance Company</td> <td>19100</td> </tr> <tr> <td>INSURER D :</td> <td></td> </tr> <tr> <td>INSURER E :</td> <td></td> </tr> <tr> <td>INSURER F :</td> <td></td> </tr> </tbody> </table>	INSURER	NAIC #	INSURER A : Nationwide Mutual Insurance Company	23787	INSURER B : Depositors Insurance Company	42587	INSURER C : AMCO Insurance Company	19100	INSURER D :		INSURER E :		INSURER F :	
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INSURER D :															
INSURER E :															
INSURER F :															

COVERAGES

CERTIFICATE NUMBER: 1566510647

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 INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> DED: \$50,000 GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:			ACPGLO3067648499	5/1/2022	5/1/2023	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 3,000,000 PRODUCTS - COMP/OP AGG \$ 3,000,000 Employee Benefits \$ 3,000,000
B	<input checked="" type="checkbox"/> AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY <input type="checkbox"/> AUTOS ONLY			ACPBAPD3067648499	5/1/2022	5/1/2023	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
C	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input type="checkbox"/> RETENTION \$			ACPCAA3067648499	5/1/2022	5/1/2023	EACH OCCURRENCE \$ 5,000,000 AGGREGATE \$ 5,000,000 \$ PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		Y/N	N/A			Limit/Ded \$1,000,000/\$2,500 Per Claim \$50,000 Limit/Aggregate \$1M/\$3M

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

As per Contract or Agreement on File with insured.

CERTIFICATE HOLDER

CANCELLATION

California Department of Social Services
 Continuing Care Contracts Branch
 744 P Street, MS 10-90
 Sacramento CA 95814

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

**Continuing Care Retirement Community
Disclosure Statement
General Information**

Date Prepared: 8/26/2022

FACILITY NAME: Town & Country
ADDRESS: 555 East Memory Lane Santa Ana, CA ZIP CODE: 92706 PHONE: (714) 547-7581
PROVIDER NAME: Town & Country FACILITY OPERATOR: Christian and Missionary Alliance
RELATED FACILITIES: _____ RELIGIOUS AFFILIATION: _____
YEAR 1975 # OF 10 ☐ SINGLE ☐ MULTI- MILES TO SHOPPING CTR: 1
OPENED: 1975 ACRES: 10 STORY 1 STORY 1 ☒ OTHER: Single and Multi MILES TO HOSPITAL: 1

NUMBER OF UNITS:

RESIDENTIAL LIVING

APARTMENTS — STUDIO: 30
APARTMENTS — 1 BDRM: 76
APARTMENTS — 2 BDRM: 16
COTTAGES/HOUSES: _____

RLU OCCUPANCY (%) AT YEAR END: 59%

HEALTH CARE

ASSISTED LIVING: 53
SKILLED NURSING: 95
SPECIAL CARE: 80
DESCRIPTION: > Memory Care

TYPE OF OWNERSHIP: ☒ NOT-FOR-PROFIT ☐ FOR-PROFIT ACCREDITED?: ☐ YES ☒ NO BY: _____

FORM OF CONTRACT: ☒ CONTINUING CARE ☐ LIFE CARE ☐ ENTRANCE FEE ☒ FEE FOR SERVICE
(Check all that apply) ☐ ASSIGNMENT OF ASSETS ☐ EQUITY ☐ MEMBERSHIP ☐ RENTAL

REFUND PROVISIONS: (Check all that apply) ☐ 90% ☐ 75% ☐ 50% ☐ FULLY AMORTIZED ☐ OTHER: _____

RANGE OF ENTRANCE FEES: \$32,000 - \$57,000 LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☐ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: No

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: Any OTHER: _____

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

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (4 TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	MEALS (3/DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>			

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

PROVIDER NAME: Town & Country

<u>OTHER CCRCs</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

<u>MULTI-LEVEL RETIREMENT COMMUNITIES</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

<u>FREE-STANDING SKILLED NURSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

<u>SUBSIDIZED SENIOR HOUSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

PROVIDER NAME: Town & Country

	2019	2020	2021	2022
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	\$20,770,918	\$19,875,832	\$17,666,893	\$21,497,194
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	\$18,456,827	\$18,804,155	\$17,992,553	\$22,762,542
NET INCOME FROM OPERATIONS	\$2,314,091	\$1,071,677	\$(325,660)	\$(1,265,348)
LESS INTEREST EXPENSE	\$286,276	\$290,738	\$282,650	\$(1,634,105)
PLUS CONTRIBUTIONS	\$58,031	\$1,077,174	\$2,676,047	\$2,522,156
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	\$601,835	\$471,384	\$2,707,818	\$(1,687,728)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	\$2,687,478	\$2,329,497	\$4,775,555	\$(2,065,025)
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	\$76,000	\$149,000	\$98,600	0

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
California Municipal Finance Authority		4%	6/13/2019	7/1/2049	30 years

FINANCIAL RATIOS (see next page for ratio formulas)

	2019 CCAC Medians 50 th Percentile <i>(optional)</i>	2020	2021	2022
DEBT TO ASSET RATIO		.60	.59	.62
OPERATING RATIO		.96	1.04	1.14
DEBT SERVICE COVERAGE RATIO		5.42	6.72	.80
DAYS CASH ON HAND RATIO		279	358	237

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2019	%	2020	%	2021	%	2022	%
STUDIO	\$3,285	5.00%	\$3,445	5.00%	\$3,618	4.00%	\$3,618	0.00%
ONE BEDROOM	\$4,131	5.00%	\$4,322	5.00%	\$4,509	4.00%	\$4,702	3.00%
TWO BEDROOM	\$5,173	5.00%	\$5,432	5.00%	\$5,757	4.00%	\$5,928	3.00%
COTTAGE/HOUSE								
ASSISTED LIVING	\$5,262	5.00%	\$5,525	5.00%	\$5,523	4.00%	\$5,997	3.00%
SKILLED NURSING	\$477	5.00%	\$500	5.00%	\$525	4.00%	\$541	4.00%
SPECIAL CARE							\$8,117	*

COMMENTS FROM PROVIDER: > * Note that Memory Care level of care first admission occurred in 8/21.

> _____
> _____

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$3,560 - \$6,960</u>	<u>\$4,990 - \$6,700</u>	<u>\$426 - \$536</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3%</u>	<u>3%</u>	<u>4%</u>

☐ 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: 7/1/2021
(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:** 4/22/2021 **Method of Notice:** Written 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:** 4/22/2021
- ☐ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- ☐ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases. **Date of Notice:** 3/31/2021
- ☐ 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:** 3/31/2021 **Location of Posting:** Outside the Dining Room

[5] On an attached page, provide a concise explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code. See **PART 7 REPORT ON CCRC MONTHLY CARE FEE** in the **Annual Report Instruction** booklet for further instructions.

PROVIDER: Town & Country _____
COMMUNITY: Town & Country _____

Date Prepared: 8/26/2022

KEY INDICATORS REPORT

Town & Country

Chief Executive Officer Signature

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.

	2018	2019	2020	2021	2022	Projected 2023	2024	2025	2026	2027	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	95.00%	96.00%	85.00%	75.57%	59.00%	85.71%	90.86%	93.00%	95.00%	95.00%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	8.78%	11.00%	5.35%	-2.54%	-5.94%	-5.50%	-4.00%	8.00%	9.00%	10.00%	↑
3. Net Operating Margin - Adjusted (%)	9.53%	12.00%	4.90%	-2.37%	-5.94%	-5.50%	4.00%	8.00%	9.00%	10.00%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments (\$000)	\$12,490	\$12,651	\$14,586	\$17,923	\$15,832	\$15,232	\$16,479	\$17,812	\$18,412	\$19,012	↑
5. Days Cash on Hand (Unrestricted)	250	245	279	358	237	215	204	206	210	220	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees (\$000)	\$56	\$75	\$115	\$79	\$57	\$60	\$55	\$50	\$50	\$50	N/A
7. Net Annual E/F proceeds (\$000)	(\$20)	\$76	\$149	\$99	\$0	\$50	\$50	\$50	\$50	\$50	N/A
8. Unrestricted Net Assets (\$000)	\$16,345	\$18,110	\$19,522	\$23,256	\$19,718	\$18,644	\$19,789	\$21,041	\$22,000	\$23,500	N/A
9. Annual Capital Asset Expenditure (\$000)	\$830	\$1,592	\$5,831	\$18,722	\$6,433	\$500	\$1,000	\$1,000	\$1,000	\$1,000	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	7.79	7.67	5.13	6.56	0.80	0.86	1.97	2.00	2.01	2.26	↑
11. Annual Debt Service Coverage (x)	8.04	7.86	5.42	6.72	0.80	0.83	1.87	1.91	2.00	2.25	↑
12. Annual Debt Service/Revenue (%)	1.70%	1.81%	2.39%	2.70%	10.06%	10.00%	9.00%	7.00%	5.00%	4.00%	↓
13. Average Annual Effective Interest Rate (%)	3.24%	3.90%	0.72%**	0.71%**	4.20%	4.00%	4.00%	4.00%	4.00%	4.00%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	N/A*	31.27%	36.54%	45.65%	41.31%	40.00%	42.00%	44.00%	46.00%	48.00%	↑
15. Average Age of Facility (years)	18	18	18	18.4	12	12	12	12	12	12	↓

**Town and Country Manor of
The Christian and Missionary Alliance**

Independent Auditor's Report and Financial Statements

June 30, 2022 and 2021

**Town and Country Manor of
The Christian and Missionary Alliance**
June 30, 2022 and 2021

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forvis.com

Independent Auditor's Report

Board of Directors
Town and Country Manor of
The Christian and Missionary Alliance
Santa Ana, California

Opinion

We have audited the financial statements of Town and Country Manor of The Christian and Missionary Alliance (Town and Country), which comprise the balance sheets as of June 30, 2022 and 2021, 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 Town and Country as of June 30, 2022 and 2021, 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.

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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Town and Country and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 accounting principles generally accepted in the United States of America, 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 Town and Country's ability to continue as a going concern within one year after the date that these financial are available to be issued.

Board of Directors
Town and Country Manor of
The Christian and Missionary Alliance

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Town and Country'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 Town and Country'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.

FORVIS, LLP

Colorado Springs, Colorado
September 27, 2022

Town and Country Manor of The Christian and Missionary Alliance

Balance Sheets June 30, 2022 and 2021

Assets

	<u>2022</u>	<u>2021</u>
Current Assets		
Cash	\$ 1,480,248	\$ 5,324,853
Accounts receivable	1,799,588	1,455,315
Short-term investments	14,230,847	14,540,634
Assets limited as to use - current	1,437,065	1,158,750
Other receivables	-	312,892
Inventories	213,038	189,463
Prepaid expenses	393,556	376,127
	<u>19,554,342</u>	<u>23,358,034</u>
Assets Limited as to Use		
Under bond indenture agreement	5,240,006	10,216,209
Externally restricted by donors	239,983	239,983
	<u>5,479,989</u>	<u>10,456,192</u>
Less amount required to meet current obligations	1,437,065	1,158,750
	<u>4,042,924</u>	<u>9,297,442</u>
Long-Term Investments	121,153	117,580
Investment in Captive Insurance	-	795,423
Property and Equipment, Net	36,559,897	36,474,352
Right-of-Use-Assets - Finance Lease	190,509	137,762
Other Assets	1,686,220	1,751,191
	<u>1,686,220</u>	<u>1,751,191</u>
Total assets	<u><u>\$ 62,155,045</u></u>	<u><u>\$ 71,931,784</u></u>

Town and Country Manor of The Christian and Missionary Alliance

Balance Sheets (continued)

June 30, 2022 and 2021

Liabilities and Net Assets

	2022	2021
Current Liabilities		
Current maturities of long-term debt	\$ 620,000	\$ 335,000
Current portion of finance lease liability	63,146	41,769
Accounts payable	426,835	4,173,937
Accrued expenses	2,122,096	1,875,051
Deferred revenue (includes provider relief funds)	47,050	218,588
Refundable advance (PPP loan)	-	1,900,000
Current portion of deferred revenue from advance fees	51,292	57,508
	<hr/>	<hr/>
Total current liabilities	3,330,419	8,601,853
Long-Term Debt, Net	38,321,871	39,258,664
Finance Lease Liability	131,900	100,769
Deferred Revenue from Advance Fees, Less Current Portion	269,595	320,704
	<hr/>	<hr/>
Total liabilities	42,053,785	48,281,990
Net Assets		
Without donor restrictions	19,717,597	23,256,080
With donor restrictions	383,663	393,714
	<hr/>	<hr/>
Total net assets	20,101,260	23,649,794
	<hr/>	<hr/>
Total liabilities and net assets	\$ 62,155,045	\$ 71,931,784
	<hr/>	<hr/>

Town and Country Manor of The Christian and Missionary Alliance

Statements of Operations Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues, Gains and Other Support Without Donor Restrictions		
Patient service revenue	\$ 12,623,071	\$ 10,117,512
Resident services, including amortization of advance fees; 2022 - \$57,325 and 2021 - \$79,403	8,857,517	7,576,397
Contributions	2,522,156	2,676,047
Other income	<u>73,931</u>	<u>52,387</u>
Total revenues, gains and other support without donor restrictions	<u>24,076,675</u>	<u>20,422,343</u>
Expenses		
Salaries and wages	13,405,287	10,008,348
Employee benefits	2,875,293	2,734,964
Medical supplies and drugs	891,027	641,502
Professional and contracted services	1,449,635	1,241,280
Telephone and utilities	713,776	531,346
Insurance	235,774	198,619
Other	3,191,747	2,636,494
Depreciation and amortization of ROU asset	1,849,436	1,112,712
Interest (includes amortization of issue costs and premium)	<u>1,325,506</u>	<u>237,452</u>
Total expenses	<u>25,937,481</u>	<u>19,342,717</u>
Operating Income (Loss)	<u>(1,860,806)</u>	<u>1,079,626</u>
Other Income (Loss)		
Investment return, net	<u>(1,312,887)</u>	<u>2,480,923</u>
Excess (Deficiency) of Revenues Over Expenses Before Change in Investment in Captive Insurance	(3,173,693)	3,560,549
Change in Investment in Captive Insurance	<u>(374,841)</u>	<u>53,164</u>
Excess (Deficiency) of Revenues Over Expenses	(3,548,534)	3,613,713
Net Assets Released from Restriction Used for Purchase of Property and Equipment	<u>10,051</u>	<u>120,000</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u><u>\$ (3,538,483)</u></u>	<u><u>\$ 3,733,713</u></u>

Town and Country Manor of The Christian and Missionary Alliance

Statements of Changes in Net Assets Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Net Assets Without Donor Restrictions		
Excess (deficiency) of revenues over expenses	\$ (3,548,534)	\$ 3,613,713
Net assets released from restriction used for purchase of property and equipment	<u>10,051</u>	<u>120,000</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>(3,538,483)</u>	<u>3,733,713</u>
Net Assets With Donor Restrictions		
Contributions with donor restrictions	-	173,731
Net assets released from restriction	<u>(10,051)</u>	<u>(120,000)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>(10,051)</u>	<u>53,731</u>
Change in Net Assets	(3,548,534)	3,787,444
Net Assets, Beginning of Year	<u>23,649,794</u>	<u>19,862,350</u>
Net Assets, End of Year	<u><u>\$ 20,101,260</u></u>	<u><u>\$ 23,649,794</u></u>

Town and Country Manor of The Christian and Missionary Alliance

Statements of Cash Flows Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash received from residents and third-party payers for resident services	\$ 21,391,882	\$ 16,777,967
Proceeds from advance fees	-	98,600
Contributions	462,618	543,347
Other receipts from operations	61,931	2,170,975
Interest income received, net of investment fees and capitalized amount	320,668	193,677
Cash paid to suppliers, employees and other	(22,370,533)	(17,781,449)
Cash paid for interest, net of amount capitalized	(961,495)	(289,664)
	<u>(1,094,929)</u>	<u>1,713,453</u>
Net cash provided by (used in) operating activities		
Cash Flows from Investing Activities		
Acquisition of property and equipment	(6,432,481)	(18,422,361)
Net distributions received from captive insurance investment	420,582	17,264
Purchase of investments	(9,949,971)	(13,571,166)
Proceeds from sales of investments	8,622,630	13,375,620
Purchase of assets limited as to use	(3,832,564)	(2,711,729)
Redemption of assets limited as to use	8,808,767	20,472,511
	<u>(2,363,037)</u>	<u>(839,861)</u>
Net cash used in investing activities		
Cash Flows from Financing Activities		
Principal payments on long-term debt	(335,000)	(225,000)
Principal payments on finance lease liabilities	(51,639)	(40,941)
Contributions for acquisition of property and equipment	-	173,731
	<u>(386,639)</u>	<u>(92,210)</u>
Net cash used in financing activities		
Increase (Decrease) in Cash	(3,844,605)	781,382
Cash, Beginning of Year	<u>5,324,853</u>	<u>4,543,471</u>
Cash, End of Year	<u><u>\$ 1,480,248</u></u>	<u><u>\$ 5,324,853</u></u>

Town and Country Manor of The Christian and Missionary Alliance

Statements of Cash Flows (continued)

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities		
Change in net assets	\$ (3,548,534)	\$ 3,787,444
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Proceeds from advance fees	-	98,600
Depreciation	1,798,036	1,071,383
Amortization of ROU asset, deferred financing costs and premiums included in interest expense	(260,319)	(7,165)
Net realized and unrealized (gains) losses on investments	1,633,555	(2,287,246)
Amortization of deferred revenue from advance fees	(57,325)	(79,403)
Change in investment in captive insurance	374,841	(53,164)
Forgiveness of related-party note receivable	-	7,160
Contributions for acquisition of property and equipment	-	(173,731)
Changes in		
Accounts receivable	(344,273)	(524,180)
Other receivables	312,892	(312,359)
Inventories	(23,575)	2,252
Prepaid expenses and other assets	47,542	579
Accounts payable	114,299	(6,507)
Deferred revenue	(171,538)	218,588
Refundable advance	(1,900,000)	(232,700)
Other liabilities	929,470	203,902
	<u>\$ (1,094,929)</u>	<u>\$ 1,713,453</u>
Supplemental Disclosure of Cash Flows Information		
Property and equipment included in accounts payable	<u>\$ -</u>	<u>\$ 3,861,401</u>
ROU assets obtained in exchange for new finance lease liabilities	<u>\$ 104,147</u>	<u>\$ -</u>
Interest capitalized not paid, net of bond premium	<u>\$ 5,074</u>	<u>\$ 272,825</u>
Interest paid for finance lease liabilities	<u>\$ 3,117</u>	<u>\$ 3,296</u>

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Town and Country Manor of The Christian and Missionary Alliance (Town and Country) is a not-for-profit organization that provides housing, health care, and other related services to residents through the operation of a retirement facility containing 122 residential units, 53 assisted living units, a 95-bed health care facility providing skilled nursing care, and a 48-unit memory care facility. Town and Country's sole member is The Christian and Missionary Alliance (the Denomination), a Colorado nonprofit corporation.

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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

Town and Country considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts and assets limited as to use, are not considered to be cash and cash equivalents.

At June 30, 2022, Town and Country's cash accounts exceeded federally insured limits by approximately \$1,518,000.

Accounts Receivable

Accounts receivable reflects the outstanding amount of consideration to which Town and Country expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs) and others. As a service to the resident, Town and Country bills third-party payers directly and bills the resident when the resident's responsibility for co-pays, coinsurance and deductibles is determined. Resident accounts receivable are due in full when billed.

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Debt Investments

Debt securities held by Town and Country generally are classified and recorded in the financial statements as follows:

Classified as	Description	Recorded at
Trading	Securities that are bought and held principally for the purpose of selling in the near term and, therefore, held for only a short period of time	Fair value, with changes in fair value included in excess of revenues over expenses

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Equity Investments

Town and Country measures equity securities, other than investments that qualify for the equity method of accounting, at fair value with changes recognized in excess (deficiency) of revenues over expenses. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Net Investment Return

Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of operations and changes in net assets as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Town and Country maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Assets Limited as to Use

Assets limited as to use include (1) assets held by trustees and (2) assets restricted by donors. Amounts required to meet current liabilities of Town and Country are included in current assets.

Inventories

Town and Country states supply inventories at the lower of cost, determined using the first-in, first-out method, or net realizable value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset. Expenditures for repairs that extend the estimated useful lives of assets and betterments of such assets are capitalized. Other expenditures for maintenance and repairs are charged to income. Upon disposal of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and a credit or charge to income reflecting the gain or loss on disposal, if any, is recorded.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	7 – 40 years
Building and improvements	10 – 15 years
Equipment and furniture	5 – 10 years

Town and Country capitalizes interest costs, including amortization of bond issue costs and premium, as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred each year was:

	2022	2021
Total interest expense incurred on borrowings		
for project related to the 2019 bonds	\$ 5,074	\$ 1,097,149
Interest income from investment of proceeds on		
borrowings for project related to the 2019 bonds	-	9,314
Net interest cost capitalized for 2019 bonds	<u>\$ 5,074</u>	<u>\$ 1,087,835</u>

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Interest costs capitalized for 2019 bonds	\$ 5,074	\$ 1,097,149
Interest costs charged to expense for 2019 bonds	<u>1,325,506</u>	<u>237,452</u>
Total interest incurred for 2019 bonds	<u>\$ 1,330,580</u>	<u>\$ 1,334,601</u>

Long-lived Asset Impairment

Town and Country evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No impairment losses were recognized during the years ended June 30, 2022 and 2021.

Refundable Advance – Paycheck Protection Program (PPP) Loans

Refundable advances relate to the Paycheck Protection Program (PPP) loans received by Town and Country. Accounting policies and estimates surrounding refundable advances and PPP loans are discussed in Note 17.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. Town and Country records these costs as direct deductions from the related debt consistent with debt premiums. Such costs are being amortized over the term of the respective debt using the effective interest method.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Patient and Resident Service Revenue

Patient and resident service revenue is recognized as Town and Country satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which Town and Country expects to be entitled in exchange for providing patient and resident care. Town and Country determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors and implicit price concessions provided to uninsured patients.

Town and Country determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. Town and Country determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payors.

Advance Fees and Resident Services

Town and Country offers residents in the residential areas of the facility a Care and Resident Agreement (CRC) that requires an advance fee. Advance fees vary in amounts though they are required, at a minimum, to be 12 times the monthly fee for the unit. Advance fees paid by a resident upon admission are recorded as deferred revenue and are amortized into revenue over a time-based measure, which is the resident's life expectancy, as the performance obligations is satisfied throughout the contract period. Upon the demise of a resident, the amount of unamortized advance fees is recognized as income.

The advance fee does have provisions for refund in the event the contract is terminated by the resident or by Town and Country. There is a cancellation period of 90 days after the resident occupies the unit. Town and Country may cancel the contract without cause after giving the resident 30 days' notice within the cancellation period. After the 90 days cancellation period, the resident has the right to cancel the contract for any reason giving 90 days written notice. Town and Country will refund the entrance fee at a rate of 1/60th for each month or partial month from the date the resident occupied the unit.

The CRC contract does not provide for any future care in the skilled nursing facility nor is there a provision for a discount in the skilled nursing facility and there is no refund of any of the entrance fee in the event of death. Town and Country also offers a monthly contract that does not have a provision for an advance fee.

It has been Town and Country's experience that refunds have been infrequent and not significant. At June 30, 2022 and 2021, the aggregate maximum refundable advance fees for CRC contracts were approximately \$163,588 and \$228,310, respectively, before considering costs incurred.

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Monthly maintenance fees are based upon the size of the resident's apartment and whether the apartment is occupied by one or two persons. The monthly maintenance fee is a recurring service fee, the payment of which entitles a resident to occupy a unit equipped with various amenities, safety features, parking, use of common areas and various resident services, including three meals per day, utilities, weekly maid service, unit maintenance, grounds maintenance, and scheduled transportation services. Town and Country is not obligated to provide future services to its residents. Should a resident require a higher level of care, any remaining advance fees are refunded and the use of the skilled nursing facilities is provided at current daily charges.

Contributions

Contributions are provided to Town and Country either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on Town and Country overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Excess (Deficiency) of Revenues Over Expenses

The statements of operations include excess (deficiency) of revenues over expenses. Changes in net assets without donor restrictions, which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purpose of acquiring such assets).

Income Taxes

Town and Country has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes pursuant to Section 501(a) of the IRC and is exempt from state franchise tax under similar provisions in the California Franchise Tax Code. However, Town and Country is subject to federal income tax on any unrelated business taxable income. Town and Country files tax returns in the U.S. federal jurisdiction.

Subsequent Events

Subsequent events have been evaluated through September 27, 2022, which is the date the financial statements were issued.

Note 2: Investments and Investment Return

Assets Limited as to Use

Assets limited as to use, at June 30, 2022 and 2021 include:

	2022	2021
Externally restricted by donors - endowment		
Mutual funds invested in bonds	<u>\$ 239,983</u>	<u>\$ 239,983</u>
Held by trustee under indenture agreement		
Cash and cash equivalents	4,740,281	9,091,719
U.S. government agency obligations	<u>499,725</u>	<u>1,124,490</u>
	<u>5,240,006</u>	<u>10,216,209</u>
	<u><u>\$ 5,479,989</u></u>	<u><u>\$ 10,456,192</u></u>

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Other Investments

Other investments, at June 30, 2022 and 2021, include:

	2022	2021
Cash and cash equivalents	\$ 912,686	\$ 681,171
Equity securities	953,550	1,887,540
Exchange traded funds invested in equities	3,693,953	3,956,484
Exchange traded funds invested in bonds	56,388	1,356,037
Corporate bonds	1,195,342	1,814,389
Mutual funds invested in equities	167,218	1,359,290
Mutual funds invested in bonds	3,949,648	2,118,532
Alternative funds (with readily determinable fair value)	734,765	-
Alternative investments	<u>2,688,450</u>	<u>1,484,771</u>
	14,352,000	14,658,214
Less long-term investments	<u>(121,153)</u>	<u>(117,580)</u>
Total short-term investments	<u><u>\$ 14,230,847</u></u>	<u><u>\$ 14,540,634</u></u>

Included in investments at June 30, 2022 and 2021 is cash of \$163,040 and \$162,389, respectively, held with Orchard Alliance, an affiliate of the Denomination. The cash held at Orchard Alliance is not covered by FDIC insurance.

Investments in alternative investments which are not able to be converted into cash within a year are classified as long-term.

Investment Return

Total investment return comprised of the following:

	2022	2021
Interest and dividend income	\$ 320,668	\$ 193,677
Net realized and unrealized gains (losses) on trading securities	<u>(1,633,555)</u>	<u>2,287,246</u>
	<u><u>\$ (1,312,887)</u></u>	<u><u>\$ 2,480,923</u></u>

Total investment return is reflected in statements of operations and changes in net assets as net assets without donor restrictions – other income.

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Note 3: Concentration of Credit Risk

Town and Country grants credit without collateral to its residents, many of whom are insured under third-party payer agreements. The mix of accounts receivable from residents and third-party payers at June 30, are as follows:

	2022	2021
Private Insurance and Managed Care	35%	41%
Medicare	42%	37%
Medi-Cal	17%	14%
Hospice	3%	3%
Private Pay	3%	5%
	<u>100%</u>	<u>100%</u>

Note 4: Investment in Captive Insurance

Town and Country was a shareholder, together with two other non-related not-for-profit organizations, in Alternative RE Holding Limited, a Bermuda holding rent captive company. During 2013, one of the shareholders did not renew their workers' compensation coverage through the captive. During 2016, Town and Country, as well as the other remaining not-for-profit organizations did not renew their workers' compensation coverage through the captive. Town and Country continued to maintain a 33-1/3% ownership in the captive for the year ended June 30, 2021. There was a separate shareholder agreement where profits and losses are allocated based on an agreed-upon formula of which Town and Country has 29.40% for the year ended June 30, 2021. In 2022, all remaining not-for profit organizations including Town and Country received a final pay-out. As of June 30, 2022 and 2021, Town and Country's investment in the captive insurance was \$0 and \$795,423, respectively.

In 2016, Town and Country purchased workers' compensation insurance through an unrelated self-insured group which has 33 other non-profit members. Town and Country did not make any capital contributions during 2022 and 2021, and the equity investment at June 30, 2022 and 2021 was \$0.

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Note 5: Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land and improvements	\$ 1,473,947	\$ 1,396,880
Buildings and improvements	51,962,735	50,845,253
Equipment and furniture	<u>4,421,430</u>	<u>3,823,709</u>
	57,858,112	56,065,842
Less accumulated depreciation	<u>(21,559,334)</u>	<u>(19,761,298)</u>
	36,298,778	36,304,544
Construction-in-progress	<u>261,119</u>	<u>169,808</u>
Property and equipment, net	<u><u>\$ 36,559,897</u></u>	<u><u>\$ 36,474,352</u></u>

Note 6: Other Assets

Other assets consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Prepaid insurance (A)	<u>\$ 1,686,220</u>	<u>\$ 1,751,191</u>
Total other assets	<u><u>\$ 1,686,220</u></u>	<u><u>\$ 1,751,191</u></u>

- (A) In June 2019, the California Municipal Finance Authority issued Insured Revenue Bonds, Series 2019 whose proceeds were then loaned to Town and Country (see Note 7). As a part of that transaction, an amount of \$1,949,130 was paid to Cal-Mortgage for insurance to be provided over the life of the bonds. The amount is being recorded as expense on a straight-line basis over 30 years. At June 30, 2022 and 2021, approximately \$65,000 is the current portion and recorded in prepaid expenses, on the balance sheets.

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Note 7: Long-Term Debt

Long-term debt is comprised of the following at June 30:

	<u>2022</u>	<u>2021</u>
California Municipal Finance Authority Insured Revenue Bonds, Series 2019 (A)	\$ 33,825,000	\$ 34,160,000
Total long-term debt	33,825,000	34,160,000
Unamortized premium	5,918,335	6,284,748
Less unamortized debt issuance costs	(801,464)	(851,084)
Less current maturities	<u>(620,000)</u>	<u>(335,000)</u>
Long-term debt, less current maturities	<u>\$ 38,321,871</u>	<u>\$ 39,258,664</u>

- (A) In June 2019, the California Municipal Finance Authority (the Issuer) issued \$34,385,000 of Insured Revenue Bonds, Series 2019. The proceeds were loaned to Town and Country pursuant to a loan agreement dated June 1, 2019 between the Issuer and Town and Country. The proceeds of the Series 2019 Bonds were used to refund the Series 2013 Bonds and provide additional funding for a capital project.

Principal balances are bifurcated into multiple tranches consisting of serial bonds that are due annually beginning in 2021 through 2030 with each tranche having a fixed interest rate of 4% and term bonds due in 2031 and 2050 with a fixed interest rate of 5.0%. The Series 2019 Bonds are collateralized by Town and Country's real property, under terms of the deed of trust. Interest payments are due monthly into an interest fund held by trustee, which is paid out semiannually to bond holders on January 1 and July 1, commencing January 1, 2020.

Town and Country is required to maintain certain operational and financial covenants. The bank has formally approved noncompliance with these requirements through September 27, 2022.

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Aggregate annual maturities requirements of long-term debt at June 30, 2022 are as follows:

2023	\$ 620,000
2024	645,000
2025	670,000
2026	700,000
2027	725,000
Thereafter	<u>30,465,000</u>
	<u><u>\$ 33,825,000</u></u>

Note 8: Leases

Accounting Policies

Town and Country determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. Town and Country determines lease classification as operating or finance at the lease commencement date.

Town and Country combines lease and nonlease components, such as other maintenance costs, in calculating the ROU assets and lease liabilities for its equipment leases.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Town and Country has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that Town and Country is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

Town and Country has elected not to record leases with an initial term of 12 months or less on the balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Nature of Leases

Town and Country has entered into the following lease arrangements:

Finance Lease

These leases consists of equipment for the use of copying. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

All Leases

Town and Country has no material related-party leases. Town and Country's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the years ended June 30, 2022 and 2021 are:

	2022	2021
Lease cost		
Finance lease cost		
Amortization of right-of-use asset	\$ 51,400	\$ 41,329
Interest on lease liabilities	3,117	3,296
Total lease cost	<u>\$ 54,517</u>	<u>\$ 44,625</u>
	2022	2021
Other information		
Weighted-average remaining lease term		
Finance leases	3.4 years	3.3 years
Weighted-average discount rate		
Finance leases	1.9%	2.0%

Future minimum lease payments and reconciliation to the balance sheets at June 30, 2022, are as follows:

2023	\$ 66,249
2024	66,249
2025	36,757
2026	22,011
2027	<u>10,221</u>
Total future undiscounted lease payments	201,487
Less imputed interest	<u>6,441</u>
Lease liabilities	<u>\$ 195,046</u>

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Note 9: Patient and Resident Service Revenue

Patient care service revenue is reported at the amount that reflects the consideration to which Town and Country expects to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, Town and Country bills the patients, and third-party payors monthly after the services are performed or the patient is discharged from the facility and patient accounts receivable are due in full when billed. Revenue is recognized as performance obligations are satisfied.

Resident care service revenue is reported at the amount that reflects the consideration to which Town and Country expects to be entitled in exchange for standing ready to provide services to the life care residents. The nonrefundable portion of the entrance payment is recognized straight-line over the expected life of the resident(s), which is when the performance obligation is satisfied. The monthly service fees are billed monthly and are recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by Town and Country. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. Town and Country believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Town and Country measures the performance obligation from patient services to the point when it is no longer required to provide services to that patient or resident, which is generally at the time of discharge. Town and Country measures performance obligations for resident service. Town and Country measures performance obligations for resident service revenue and resident fees revenue as a series of distinct services that are considered one performance obligation which is satisfied over time.

Transaction Price

Town and Country determines the transaction price based on standard charges for services provided, reduced by explicit price concessions which consist of contractual adjustments provided to third-party payors, and implicit price concessions provided to uninsured patients. Town and Country determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. Town and Country determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Third-party Payors

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare. Services rendered to Medicare program beneficiaries for skilled nursing are reimbursed under a prospective methodology and no additional settlement will be made on the difference between the per diem rates paid and actual cost.

Medi-Cal. Reimbursements for Medi-Cal services are generally paid under a retrospective cost-reimbursement methodology, adjusted by case mix data. Town and Country is reimbursed a tentative rate with final settlement determined after submission of an annual cost report by Town and Country and audits thereof by the Medi-Cal fiscal intermediary. Any changes between the tentative and final settlement, Town and Country consider this variable consideration and include in the transaction price based on dates of services.

Other. Payment agreements with certain commercial insurance carriers provide for payment based on per diem amounts or other payment terms within contracts with commercial payors.

Laws and regulations concerning government programs, including Medicare and Medi-Cal, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Town and Country's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon Town and Country. In addition, the contracts Town and Country has with commercial payors also provide for retroactive audit and review of claims.

Patient and Uninsured Payors

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Town and Country estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Revenue Composition

Town and Country has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by payor and service line. Tables providing details of these factors are presented below.

The composition of patient service revenue and resident services for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Patient Service Revenue		
Medicare	\$ 7,271,554	\$ 5,862,583
Managed Care	2,105,169	1,510,303
Medi-Cal	2,355,564	1,822,543
Hospice	250,656	402,915
Private Pay	640,128	519,168
	<u>\$ 12,623,071</u>	<u>\$ 10,117,512</u>
	2022	2021
Resident Services		
Private Pay	<u>\$ 8,857,517</u>	<u>\$ 7,576,397</u>

Revenue from patients' deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of patient service revenue based on service lines for the years ended June 30, 2022 and 2021 is all skilled nursing care.

The composition of resident service revenue at June 30, 2022 and 2021 is residential care.

The timing of revenue for patient service revenue and resident services at June 30, 2022 and 2021 is transferred over time.

Financing Component

Town and Country has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to Town and Country's expectation that the period between the time the service is provided to a patient and the time the patient or a third-party payer pays for that service will be one year or less.

However, Town and Country does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Contract Costs

Town and Country has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that Town and Country otherwise would have recognized is one year or less in duration.

Note 10: Functional Expenses

Town and Country provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the health care services, general and administrative and fundraising functional expense classifications based on time and effort, square footage and other methods. The following tables present the natural classification of expenses by function as follows:

2022				
	Program	General and Administrative	Fundraising	Total
Salaries and wages	\$ 11,714,091	\$ 1,683,797	\$ 7,399	\$ 13,405,287
Employee benefits	2,437,645	437,101	547	2,875,293
Medical supplies and drugs	891,027	-	-	891,027
Professional and contracted services	1,008,642	440,993	-	1,449,635
Telephone and utilities	676,662	37,114	-	713,776
Insurance	235,774	-	-	235,774
Other	2,440,018	751,729	-	3,191,747
Depreciation and amortization of ROU asset	1,733,834	115,602	-	1,849,436
Interest (includes amortization of issue costs and premium)	1,257,561	67,945	-	1,325,506
Total expenses	<u>\$ 22,395,254</u>	<u>\$ 3,534,281</u>	<u>\$ 7,946</u>	<u>\$ 25,937,481</u>

2021				
	Program	General and Administrative	Fundraising	Total
Salaries and wages	\$ 8,718,423	\$ 1,289,925	\$ -	\$ 10,008,348
Employee benefits	2,242,086	492,878	-	2,734,964
Medical supplies and drugs	641,502	-	-	641,502
Professional and contracted services	955,547	285,733	-	1,241,280
Telephone and utilities	503,354	27,992	-	531,346
Insurance	198,619	-	-	198,619
Other	1,965,302	670,771	421	2,636,494
Depreciation and amortization of ROU asset	1,038,478	74,234	-	1,112,712
Interest (includes amortization of issue costs and premium)	235,326	2,126	-	237,452
Total expenses	<u>\$ 16,498,637</u>	<u>\$ 2,843,659</u>	<u>\$ 421</u>	<u>\$ 19,342,717</u>

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

June 30, 2022 and 2021

Note 11: Pension Plan

Town and Country sponsors a defined contribution plan for which all employees with at least two years of service and 1,000 hours of service per year are eligible. Town and Country makes a matching contribution amount equal to 25% of each participant's salary deferrals, limited to salary deferrals up to 4% of the participant's total compensation. Town and Country may also make a discretionary contribution each year. During 2022 and 2021, a 2% discretionary contribution was made. Town and Country contributed approximately \$159,000 and \$168,000 to the plan which includes both matching and discretionary contributions, for the years ended June 30, 2022 and 2021, respectively.

Note 12: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	2022	2021
Subject to expenditure for specified purpose		
Memory care project	\$ 143,680	\$ 153,731
Endowments		
Subject to spending policy and appropriation		
Investments to be held in perpetuity, the income is expendable	239,983	239,983
	<u>\$ 383,663</u>	<u>\$ 393,714</u>

Net Assets Without Donor Restrictions

Net assets without donor restrictions as of June 30, 2022 and 2021 are undesignated.

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. During 2022 and 2021, \$10,051 and \$120,000, respectively, of net assets were released for the purpose restriction of the memory care project.

Town and Country Manor of The Christian and Missionary Alliance

Notes to Financial Statements

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Note 13: Related-Party Transactions

Town and Country is leasing a portion of land to the Denomination upon which the lessee has built a church, known as Community Bible Church of The Christian and Missionary Alliance d/b/a Celebration Church. The lease expires in 2037 with annual rentals of \$1. The lessee is responsible for all maintenance, utilities, insurance, and upkeep of the property. In the event of the sale of the land by Town and Country prior to the expiration of the lease term, the lessee is entitled to receive the portion of the proceeds equivalent to the appraised value of the structure. Residents of Town and Country are entitled to use the premises for scheduled events.

Note 14: Endowment

Town and Country's governing body is subject to Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, Town and Country classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with UPMIFA, Town and Country considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of Town and Country and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of Town and Country
7. Investment policies of Town and Country

Town and Country's endowment consists of funds established to support general operations. The endowment includes donor-restricted endowment funds.

The composition of net assets by type of endowment fund at June 30, 2022 and 2021, was:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 239,983	\$ 239,983

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	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 239,983	\$ 239,983

Changes in endowment net assets for the years ended June 30, 2022 and 2021 were:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 239,983	\$ 239,983
Investment return, net	-	35,188	35,188
Appropriations of endowment assets for expenditures	-	(35,188)	(35,188)
Endowment net assets, end of year	\$ -	\$ 239,983	\$ 239,983

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 239,983	\$ 239,983
Investment return, net	-	3,159	3,159
Appropriations of endowment assets for expenditures	-	(3,159)	(3,159)
Endowment net assets, end of year	\$ -	\$ 239,983	\$ 239,983

Investment and Spending Policies

Town and Country has adopted investment and spending policies for endowment assets that attempt to achieve a balanced return of income and modest growth of principal. Endowment assets include those assets of donor-restricted endowment funds Town and Country must hold in perpetuity. Under Town and Country's policies, endowment assets are invested into securities that can be transacted quickly and efficiently for Town and Country, with minimal impact on interest price.

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To satisfy its long-term rate of return objectives, Town and Country relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). Town and Country targets a diversified asset allocation that balances several different investment types including domestic bonds, mutual funds and hedge funds. This is intended to achieve its long-term return objectives within prudent risk constraints.

Town and Country has a spending policy of appropriating for expenditure each year net investment return. In establishing this policy, Town and Country considered the long-term expected return on its endowment.

Underwater Endowments

The governing body of Town and Country has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Town and Country considers a fund to be underwater if the fair value of the fund is less than the sum of:

- a) the original value of initial and subsequent gift amounts donated to the fund, and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

Town and Country has interpreted UPMIFA to permit not spending from underwater funds in accordance with the prudent measures required under the law.

At June 30, 2022 and 2021, Town and Country has no underwater endowments.

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Note 15: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022 and 2021, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash	\$ 1,480,248	\$ 5,324,853
Investments	14,352,000	14,658,214
Accounts receivable	1,799,588	1,455,315
Other receivables	-	312,892
Assets limited as to use	<u>5,479,989</u>	<u>10,456,192</u>
Total financial assets	<u>23,111,825</u>	<u>32,207,466</u>
Less amounts not available to be used within one year		
Funds held by trustees	5,240,006	10,216,209
Donor-imposed restrictions		
Externally restricted by donors	383,663	393,714
Long-term investments	<u>121,153</u>	<u>117,580</u>
Financial assets not available to be used within one year	<u>5,744,822</u>	<u>10,727,503</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 17,367,003</u></u>	<u><u>\$ 21,479,963</u></u>

Town and Country has assets limited to use for debt service and a capital project. These assets limited to use are not available for general expenditure within the next year; however, a portion is available for the current portion of debt service and the capital project expenditures.

Town and Country's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments are restricted for general use. Donor-restricted endowment funds are not available for general expenditure.

As part of Town and Country's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds.

Note 16: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

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- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021:

		2022		
		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
U.S. government agency obligations	\$ 499,725	\$ 499,725	\$ -	\$ -
Equity securities	953,550	953,550	-	-
Exchange traded funds				
invested in equities	3,693,953	3,693,953	-	-
Exchange traded funds				
invested in bonds	56,388	56,388	-	-
Corporate bonds	1,195,342	1,195,342	-	-
Mutual funds invested in equities	167,218	167,218	-	-
Mutual funds invested in bonds	4,189,631	4,189,631	-	-
Alternative funds (with readily determinable fair value)	734,765	734,765	-	-
Total assets in the fair value hierarchy	11,490,572	11,490,572	-	-
Alternative investments measured at net asset value (A)	2,688,450	-	-	-
Investments at fair value	<u>\$ 14,179,022</u>	<u>\$ 11,490,572</u>	<u>\$ -</u>	<u>\$ -</u>

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2021				
Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. government agency obligations	\$ 1,124,490	\$ 1,124,490	\$ -	\$ -
Equity securities	1,887,540	1,887,540	-	-
Exchange traded funds				
invested in equities	3,956,484	3,956,484	-	-
Exchange traded funds				
invested in bonds	1,356,037	1,356,037	-	-
Corporate bonds	1,814,389	1,814,389	-	-
Mutual funds invested in equities	1,359,290	1,359,290	-	-
Mutual funds invested in government bonds	2,358,515	2,358,515	-	-
Total assets in the fair value hierarchy	13,856,745	13,856,745	-	-
Alternative investments measured at net asset value (A)	1,484,771	-	-	-
Investments at fair value	<u>\$ 15,341,516</u>	<u>\$ 13,856,745</u>	<u>\$ -</u>	<u>\$ -</u>

- (A) Certain investments that are measured a fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2022.

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Investments and Assets Limited as to Use

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At June 30, 2022 and 2021, no investments were classified within Level 3 of the hierarchy.

Alternative Investments

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

2022			
	Net Asset Value	Redemption Frequency	Redemption Notice Period
Equity long/short hedge funds (A)	\$ 747,839	Semi-annual	105 days
Multi-strategy hedge funds (B)	927,378	Quarterly/ Monthly	90 days
Private real estate (C)	<u>1,013,233</u>	Monthly	4 days
Total	<u><u>\$ 2,688,450</u></u>		

2021			
	Net Asset Value	Redemption Frequency	Redemption Notice Period
Equity long/short hedge funds (A)	\$ 866,835	Semi-annual	105 days
Multi-strategy hedge funds (B)	<u>617,936</u>	Quarterly	90 days
Total	<u><u>\$ 1,484,771</u></u>		

- (A) This class includes investments in hedge funds that invest both long and short primarily in U.S. common stocks and private investment companies. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks and from a net-long position to a net-short position. The fair values of the investments in this class have been estimated using the net asset value per share of the

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investments. Investments representing approximately 10% of the value of the investments in this class cannot be redeemed because of a one-year hold-back period.

- (B) This class includes investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The funds' composite portfolio includes investments in private equity, private real estate, private debt and private infrastructure. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Investments representing approximately 5% of the value of the investments in this class cannot be redeemed because of a one-year hold-back period.
- (C) This class includes investments in real estate investment trusts (REITs) that invest in real estate, private equity and commercial mortgage loans. The fair values of the investments in this class have been estimated using the net asset value per share of investments. Investments in this fund have a redemption restriction of a five percent penalty in the first year.

Note 17: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient and resident service revenue as described in Notes 1 and 9.

Professional Liability Coverage and Claims

Town and Country purchases medical malpractice insurance under a claims-made policy. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered. Town and Country also purchases excess umbrella liability coverage, which provides additional coverage above the basic policy limits up to the amount specified in the umbrella policy.

Based upon Town and Country's claims experience, an accrual had been made for Town and Country's estimated medical malpractice costs, including costs associated with litigating or settling claims, under its malpractice insurance policy, amounting to approximately \$129,000 and \$0 as of June 30, 2022 and 2021, respectively, included in accrued expenses on the balance sheets. It is reasonably possible that this estimate could change materially in the near term.

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Litigation

Town and Country is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by Town and Country's commercial insurance, for example, allegations regarding employment practices or performance of contracts. Town and Country evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the balance sheets, change in net assets and cash flows of Town and Country. Events could occur that would change this estimate materially in the near term.

Investments

Town and Country invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheets.

COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic.

Town and Country has taken steps to enhance its operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to its business, including reducing costs.

The extent of the COVID-19 pandemic's adverse effect on Town and Country's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond Town and Country's control and ability to forecast.

Because of these and other uncertainties, Town and Country cannot estimate the length or severity of the effect of the pandemic on Town and Country's business. Decreases in cash flows and results of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated implicit price concessions related to uninsured patient accounts, and potential impairments long-lived assets.

Provider Relief Fund

During the years ended June 30, 2022 and 2021, Town and Country received \$360,826 and \$493,650, respectively, of distributions from the CARES Act Provider Relief Fund (collectively, the Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided Town and Country is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

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Town and Country accounts for such payments as conditional contributions in accordance with ASC Topic 958-605, *Revenue Recognition*. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been substantially met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on Town and Country's revenues and expenses through year-end, Town and Country recognized \$510,026 and \$334,112, respectively, during the years ended June 30, 2022 and 2021, related to the distributions from the Provider Relief Fund, and these payments are recorded as contribution revenue in the accompanying statements of operations. The unrecognized amount of distributions from the Provider Relief Fund are recorded as a deferred revenue in the accompanying balance sheets.

Guidance for reporting use of Provider Relief Fund payments received has changed significantly since distributions were authorized through the CARES Act in March 2020.

Town and Country has recognized revenue from the Provider Relief Fund based on guidance issued by HHS as of June 30, 2022 and any clarifications issued by HHS subsequent to year-end, including any referenced above as recognized subsequent events. Town and Country will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on Town and Country's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If Town and Country is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to Town and Country's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Paycheck Protection Program (PPP) Loans

On April 20, 2020, Town and Country received a PPP loan of \$2,132,700, established by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) and has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Under ASC 958-605, revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures.

Town and Country believes they substantially met the terms and conditions of the program prior to June 30, 2021, as they have incurred sufficient qualifying expenses, maintained adequate FTE and salary levels, as well as complied with program eligibility requirements. As such, Town and Country recognized the \$2.1 million contribution in the statements of operations for the year ended June 30, 2021.

On February 2, 2021, Town and Country received an additional PPP loan in the amount of \$1,900,000, which was established by the *2021 Consolidated Appropriations Act* and as elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Under ASC 958-605, revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures.

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Town and Country believes they substantially met the terms and conditions of the program prior to June 30, 2022, as they have incurred sufficient qualifying expenses, maintained adequate FTE and salary levels, as well as complied with program eligibility requirements. As such, Town and Country recognized the \$1.9 million contribution in the statements of operations for the year ended June 30, 2022.

During 2022, Town and Country received formal notice that both the \$2,132,700 and \$1,900,000 PPP loan were forgiven in their entirety.

PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of contribution income.