ANNUAL REPORT CHECKLIST
for FISCAL YEAR ENDED: 12/31/2013

RECEIVED
APR 29 2014
CONTINUING CARE CONTRACTS BRANCH

PROVIDER: Mennonite Brethren Homes, Inc

FACILITY(IES): Palm Village Retirement Community

CONTACT PERSON: Joanne Brannan

TELEPHONE NO.: (559)638-6933 **EMAIL:** joannebrannan@palmvillage.com

• • • • • • • • • • • • •

Your complete annual report must consist of _3 copies_ of all of the following:

- *x* This cover sheet.
- *x* Annual Provider Fee in the amount of: $ 6,555
    - *x* If applicable, late fee in the amount of: $ 0.00
- *x* Certification by the provider's chief *executive* officer that:
    - *x* The reports are correct to the best of his/her knowledge.
    - *x* Each continuing care contract form in use or offered to new residents has been approved by the Department.
    - *x* The provider is maintaining the required *liquid reserve* and refund reserve, if applicable.
- *x* Evidence of the provider's fidelity bond.
- *x* The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- *x* The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- *x* The provider's "Continuing Care Retirement Community Disclosure Statement" for each community. (3 copies total)

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report. (3 copies total)

PALM VILLAGE
RETIREMENT COMMUNITY

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APR 29 2014
CONTINUING CARE
CONTRACTS BRANCH

April 25, 2014

Department of Social Service
Continuing Care Contracts Branch
744 P Street M/S 10-90
Sacramento, CA 95814

RE: Certification by Chief Executive Officer

Dear Sir or Madam:

This letter is to serve as certification concerning the annual report for Palm Village Retirement Community.

The annual report and any amendments thereto are correct to the best of my knowledge.

Each continuing care contract form in use or offered to new residents has been approved by the Department.

As of the date of the CEO's certification, Palm Village Retirement Community is maintaining the required liquid reserve.

Sincerely,

David K. Reimer
CEO/President

703 W. HERBERT
P. O. BOX 1028
REEDLEY, CA 93654-1028

TEL 559 638 6933
FAX 559 638 8463
WEB www.palmvillage.com
LIC. #100404809 • COA170

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APR 29 2014
CONTINUING CARE
CONTRACTS BRANCH

COMMERCIAL CRIME COVERAGE PART
DECLARATIONS PAGE

POLICY EFFECTIVE 03/01/2013 POLICY NO. 9621-300

NAMED INSURED MENNONITE BRETHREN HOMES

LOCATIONS

PREMISES ARE THE SAME AS SHOWN ON THE COMMERCIAL
PROPERTY COVERAGE PART DECLARATIONS PAGE

COVERAGES, LIMITS OF INSURANCE AND DEDUCTIBLE

BOND - EMPLOYEE DISHONESTY COVERAGE FORM A - BLANKET CR0001

	LIMITS OF INSURANCE	DEDUCTIBLE AMOUNT
ALL OFFICERS AND EMPLOYEES - HONESTY	$100,000	$250

BOND - FORGERY AND ALTERATIONS COVERAGE FORM B CR0003

	LIMITS OF INSURANCE	DEDUCTIBLE AMOUNT
DEPOSITORS FORGERY	$25,000	$250

THEFT, DISAPPEARANCE AND DESTRUCTION COVERAGE FORM C CR0004

	LIMITS OF INSURANCE	DEDUCTIBLE AMOUNT
PREMISES	$1,000	$250
MESSENGERS	$1,000	$250

PALM VILLAGE
RETIREMENT COMMUNITY

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APR 29 2014
CONTINUING CARE
CONTRACTS BRANCH

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CONTINUING CARE
CONTRACTS BRANCH

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

TABLE OF CONTENTS

VICENTI ♦ LLOYD ♦ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

RECEIVED
APR 29 2014
CONTINUING CARE
CONTRACTS BRANCH

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Palm Village Retirement Community
Reedley, California

We have audited the accompanying statements of financial position of Mennonite Brethren Homes, Inc. dba Palm Village Retirement Community (Palm Village) (a nonprofit organization) as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used in the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palm Village as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

2210 E. Route 66, Suite 100, Glendora, CA 91740
Tel 626.857.7300 | Fax 626.857.7302 | E-Mail INFO@VLSLLP.COM | Web WWW.VLSLLP.COM

Board of Directors
Palm Village Retirement Community

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2012 the Organization retroactivity adopted new accounting guidance, Accounting Standards Update – Health Care Entities (Topic 954) No. 2011-07 *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the financial statements, a restatement was made to beginning net assets in 2012 to correct a misstatement. Our opinion is not modified with respect to this matter.

Vicenti Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
March 14, 2014

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY

STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 3,449,774	$ 4,014,607
Accounts receivable		
Resident, net	1,064,744	773,757
Prepaid expenses	440,466	439,395
Supplies inventory	22,223	16,688
Current portion of assets limited as to use	438,857	414,533
Total Current Assets	5,416,064	5,658,980
Assets Limited as to Use:		
Under indenture agreement: held for debt service	199,354	191,687
Internally board designated	375,428	370,846
Resident funds	63,429	43,687
Total Assets Limited as to Use	638,211	606,220
Less: current portion shown above	(438,857)	(414,533)
Assets Limited as to Use (Net of Current Portion)	199,354	191,687
Property and Equipment:		
Land and improvements	998,567	998,567
Buildings and improvements	19,444,995	19,111,500
Furniture and equipment	3,598,483	3,228,082
Vehicles	204,213	204,213
Construction in progress	28,714	-
Total	24,274,972	23,542,362
Less: accumulated depreciation	(12,126,248)	(11,348,653)
Total Property and Equipment (at Depreciated Cost)	12,148,724	12,193,709
Other Assets:		
Deferred financing costs	462,688	494,481
Total Assets	$ 18,226,830	$ 18,538,857

The accompanying notes are an integral part of these financial statements.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY

STATEMENTS OF FINANCIAL POSITION
(continued)
December 31, 2013 and 2012

	2013	2012
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 417,149	$ 493,984
Accrued salaries, payroll taxes and benefits	508,661	516,297
Accommodation fee deposits	319,200	102,400
Current portion of refundable accommodation fees	100,196	116,680
Deferred revenue	211,659	308,610
Current maturities of long-term debt	635,000	615,000
Current portion of capital lease	18,952	21,121
Other current liabilities	130,112	109,543
Total Current Liabilities	2,340,929	2,283,635
Long-Term Debt:		
Bonds payable, less current portion	7,500,000	7,980,000
Notes payable, individuals	-	100,000
Capital lease payable, less current portion	2,506	19,589
Total Long-Term Debt	7,502,506	8,099,589
Other Liabilities:		
Refundable accommodation fees	1,937,755	2,166,428
Deferred revenue from accommodation fees	1,959,568	1,845,688
Total Other Liabilities	3,897,323	4,012,116
Total Liabilities	13,740,758	14,395,340
Net Assets:		
Unrestricted	4,483,072	4,141,530
Temporarily restricted	3,000	1,987
Total Net Assets	4,486,072	4,143,517
Total Liabilities and Net Assets	$ 18,226,830	$ 18,538,857

The accompanying notes are an integral part of these financial statements.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY

STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Residential services, net	$ 12,392,154	$ -	$ 12,392,154	$ 12,758,080	$ -	$ 12,758,080
Amortization of accommodation fees	742,197		742,197	781,477		781,477
Other income	74,728		74,728	68,855		68,855
Total Operating Revenue	13,209,079	-	13,209,079	13,608,412	-	13,608,412
OPERATING EXPENSES						
Nursing services	4,025,292		4,025,292	4,055,914		4,055,914
Resident services	810,681		810,681	1,239,248		1,239,248
Assisted living	464,367		464,367	385,829		385,829
Dietary	1,786,304		1,786,304	1,799,068		1,799,068
Housekeeping	291,345		291,345	253,697		253,697
Laundry	212,882		212,882	208,964		208,964
Ancillary	768,641		768,641	801,093		801,093
Plant operations and maintenance	1,470,039		1,470,039	1,579,391		1,579,391
Activities and social services	430,911		430,911	439,829		439,829
Administrative	1,721,379		1,721,379	1,439,943		1,439,943
Marketing	280,173		280,173	245,896		245,896
Interest	20,831		20,831	29,786		29,786
Depreciation and amortization	814,388		814,388	702,901		702,901
Total Operating Expenses	13,097,233	-	13,097,233	13,181,559	-	13,181,559
Change in net assets from operations	111,846	-	111,846	426,853	-	426,853
OTHER INCOME (EXPENSE) AND OTHER CHANGES IN NET ASSETS						
Interest income	30,903		30,903	41,262		41,262
Fundraising costs	(25,432)		(25,432)	(119,517)		(119,517)
Contributions	207,362	17,876	225,238	207,228	1,987	209,215
Total Other Income (Expense)	212,833	17,876	230,709	128,973	1,987	130,960
Net assets released from restrictions	16,863	(16,863)	-	36,500	(36,500)	-
Total Non-operating Gains (Losses) and Other Changes in Net Assets	229,696	1,013	230,709	165,473	(34,513)	130,960
Change in net assets	341,542	1,013	342,555	592,326	(34,513)	557,813
NET ASSETS, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	4,141,530	1,987	4,143,517	3,360,399	36,500	3,396,899
Adjustment for restatement (Note 9)	-	-	-	188,805	-	188,805
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	4,141,530	1,987	4,143,517	3.549,204	36,500	3,585,704
NET ASSETS, END OF YEAR	$ 4,483,072	$ 3,000	$ 4,486,072	$ 4,141,530	$ 1,987	$ 4,143,517

The accompanying notes are an integral part of these financial statements.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY

STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents	$ 13,047,244	$ 13,947,158
Cash paid to suppliers and employees	(12,357,954)	(12,532,392)
Interest received	30,903	41,262
Contributions received	225,238	209,215
Interest paid	(20,831)	(29,786)
Net cash provided by operating activities	924,600	1,635,457
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment, net	(732,610)	(508,456)
Net change in assets whose use is limited	(31,991)	(92,808)
Net cash used by investing activities	(764,601)	(601,264)
CASH FLOWS FROM FINANCING ACTIVITIES		
Refund of accommodation fees	(140,580)	(361,132)
Payments for deferred financing costs	(5,000)	-
Principal payments on long-term debt	(579,252)	(563,209)
Net cash used by financing activities	(724,832)	(924,341)
Net increase (decrease) in cash and cash equivalents	(564,833)	109,852
Cash and cash equivalents at the beginning of the year	4,014,607	3,904,755
Cash and cash equivalents at the end of the year	$ 3,449,774	$ 4,014,607

The accompanying notes are an integral part of these financial statements.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY

STATEMENTS OF CASH FLOWS
(continued)
For The Years Ended December 31, 2013 and 2012

	2013	2012
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$ 342,555	$ 557,813
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	814,388	702,901
Provision for uncollectible accounts	26,501	(74,031)
Receipt of accommodation fees	751,500	1,114,500
Amortization of accommodation fees	(742,197)	(781,477)
(Increase) decrease in current assets:		
Accounts receivable	(317,488)	28,149
Prepaid expenses and other assets	(1,071)	(9,588)
Inventories	(5,535)	2,791
Increase (decrease) in current liabilities:		
Accounts payable	(76,835)	27,673
Accrued salaries, payroll taxes and benefits, and other liabilities	12,933	15,121
Deferred revenue	(96,951)	(32,395)
Accommodation fees deposit	216,800	84,000
Net cash provided by operating activities	$ 924,600	$ 1,635,457

Noncash financing activities in 2012 consist of financing the cost of acquiring phone equipment through a capital lease for $41,150.

The accompanying notes are an integral part of these financial statements.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY

NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Organization

Mennonite Brethren Homes, Inc. (the Organization) is a not-for-profit corporation located in Reedley, California. The Organization is licensed as a Continuing Care Retirement Community doing business as Palm Village Retirement Community. The Organization consists of 120 nursing beds, 53 residential/personal care facility units, 16 memory care units and 79 independent living complex units.

Tax Exempt Status

The Organization qualifies as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Organization is not subject to federal income taxes under Section 501(a) of the Code. The Organization is classified as a publicly supported charitable organization under Section 509(a)(3) of the Code and contributions to the Organization qualify as a charitable tax deduction by the contributor.

The Organization applies the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with the income tax standard. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to unrelated business income or excise or other taxes. With few exceptions, the Organization is no longer subject to U.S. federal and state examinations by tax authorities for generally three and four years, respectively.

Financial Statement Presentation

Contributions received are recorded as an increase in unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Those resources over which the Board of Directors has discretionary control. Designated amounts represent amounts which the Board has set aside for a particular purpose.

Temporarily Restricted - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time. As of December 31, 2013, the Organization had $3,000 in net assets temporarily restricted for the beauty shop and the ladies restroom in the basement. As of December 31, 2012, the Organization had $1,987 in net assets temporarily restricted for the replacement of all manually-adjusted beds in skilled nursing to electrically-adjusted beds.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Financial Statement Presentation (continued)

Permanently Restricted - Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The Organization does not have any permanently restricted net assets as of December 31, 2013 and 2012.

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received and recorded as pledges receivable. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets are released and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same reporting period as received are recorded as unrestricted contributions.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 combined financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments and certificates of deposit with a maturity of three months or less to be cash equivalents.

Residential Services Revenue

Residential services revenue includes room charges and ancillary services to residents and is recorded at established billing rates net of contractual adjustments resulting from agreements with third-party payers, if applicable. In addition, patient service revenue is recorded net of bad debt expense.

Monthly service fees paid by life care residents who have permanently transferred from their independent living apartment to either assisted living or healthcare are accounted for as healthcare service revenue.

Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the amounts accrued and the subsequent settlements are recorded in operations in the year of settlement.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Third Party Reimbursement Agreements

Medi-Cal

The Organization participates in the Medi-Cal program that is administered by the California Department of Health and Human Services Agency, Department of Health Services. The Department determines Medi-Cal rates for the facility every August 1. The rates are determined by re-basing all filed cost reports every three years.

The final rates are set from facility cost reports with minimum and maximum reimbursements calculated from peer facilities. Medi-Cal pays a flat daily rate which does not account for the acuity of the resident. The Organization must submit a cost report for each year based on its fiscal year. Rates derived from the above system are subject to retroactive adjustment by field audit.

Medicare

A licensed nursing facility which participated in the Medicare program for the years ended December 31, 2013 and 2012 was reimbursed based on a Prospective Payment System (PPS). This program is administered by the United States Department of Health and Human Services. The PPS is a per diem price based system. Annual cost reports are submitted to the designated intermediary; however, they will not contain a cost settlement.

Occupancy Percentages

For the years ended December 31, 2013 and 2012, the occupancy percentages of the Organization were as follows:

	2013	2012
Health center (including Wiebe Center)	99.1 %	95.5 %
Assisted living (including memory care)	95.6 %	99.9 %
Independent living apartments	88.2 %	96.1 %

The total census for the Health center by source of payment as of December 31, 2013 and 2012 is as follows:

	2013		2012	
	Days	Percentage	Days	Percentage
Medicare and HMO	3,888	9.0 %	5,735	13.7 %
Medi-Cal	28,179	64.9 %	27,008	64.6 %
Private and other	11,342	26.1 %	9,081	21.7 %
Total	43,409	100.0 %	41,824	100.0 %

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Accounts Receivable

Resident accounts receivable represents amounts due from residents and third-party payers such as Medi-Cal and Medicare for services provided. Medi-Cal and Medicare represent the Organization's most significant third party payers. The Organization provides an allowance for uncollectible accounts using management's judgment. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice. Accounts are individually analyzed on a monthly basis for collectability.

Once accounts are deemed uncollectible, the accounts are written off. The allowance for uncollectible accounts was $34,002 at both December 31, 2013 and 2012.

Prepaid Expenses

Payments made to vendors that will benefit periods beyond the reporting year are recorded as prepaid expenses. Prepaid expenses consist primarily of a deposit to the Organization's pooled workers' compensation insurance policy. Interest is earned on the deposit until reimbursed by the policy.

Supplies Inventory

Supplies inventory is stated at the lower of cost or market value. Cost is determined using the first-in, first-out (FIFO) method.

Property and Equipment

The Organization capitalizes expenditures in excess of $1,000 for property and equipment at cost. Property and equipment are depreciated over their estimated useful lives by the straight-line method of depreciation. The estimated useful lives are as follows:

Land improvements	10-40 years
Buildings and improvements	5-50 years
Furniture and equipment	5-10 years
Transportation equipment	5 years

Depreciation expense for the years ended December 31, 2013 and 2012 was $777,595 and $728,655, respectively.

Assets Limited as to Use

Assets limited as to use include assets held by the trustee under the bond agreements and board designated amounts for capital expenditures. These assets are primarily invested in cash and cash equivalents. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in operating income unless the income or loss is restricted by donor or law.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Resident Funds

The Organization maintains savings accounts on behalf of certain residents and acts as trustee of these funds which are maintained for the personal use of those residents. The funds are expended at the direction of the residents. The balance in the Resident Trust Fund was $63,429 and $43,687 at December 31, 2013 and 2012, respectively.

Deferred Financing Costs

Costs incurred in connection with the issuance of debt are capitalized and amortized over the term of the related indebtedness on the Series 2005 certificates of participation using straight line amortization which approximates the effective interest method. The total cost incurred in relation to the issuance of the Series 2005 certificates was $528,250. During 2010, an additional $152,636 of costs was incurred in connection with the modification of the Series 2005 certificates and in 2013 an additional $5,000 was incurred relating to the Series 2005 certificates. Deferred financing costs are net of accumulated amortization of $223,198 and $186,405 at December 31, 2013 and 2012, respectively. Total amortization expense was $36,793 and $36,794, less a $62,548 adjustment in 2012 to accumulated amortization, for 2013 and 2012, respectively.

Letter of Credit Fees

The Organization pays letter of credit fees on an annual basis relating to the issuance of the Series 2005 Certificates of Participation. For the years ended December 31, 2013 and 2012 the Organization paid letter of credit fees of $65,693 and $69,451, respectively.

Accommodation Fees

Accommodation fees are charged to residents of the independent living facility. The accommodation fees are lump sum payments made to the Organization, which entitles the resident to reside in the facility and participate in certain benefits of the facility. The Organization recognizes as a liability the portion of the accommodation fee that is refundable according to the terms of the accommodation fee contract with the balance recorded as deferred revenue. Currently, the Organization offers accommodation fee contracts with a 72 month schedule for refunds after which time the entire accommodation fee is non-refundable. As of December 31, 2013, there were 39 contracts on a 72 month schedule.

Beginning in 2009, the Organization offered reduced entrance fees for a limited amount of independent living units. These contracts amortize over 50 months. The program is offered on an ongoing basis. As of December 31, 2013, there were 33 contracts on a 50 month schedule.

Accommodation fees are amortized into income by the straight-line method over the estimated life expectancy of the resident. After establishing residency, the resident may cancel the agreement at any time upon giving 90 days written notice of cancellation. If the resident cancels the agreement for reasons other than death, incapacity, or divorce, the resident is entitled a refund of a portion of the amount paid under the agreement in accordance with California law, which provides that the Organization may deduct a reasonable processing fee to cover costs and the reasonable value of the services rendered during the resident's occupancy.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Accommodation Fees (continued)
The Organization will refund a portion of the accommodation fee in accordance with the following terms:

(i) If cancellation occurs during the first 90 days of occupancy, the Organization shall retain a reasonable processing fee to cover cost and the reasonable value of the services rendered plus an additional 2% of the entrance fee for each month (or portion thereof) of occupancy.

(ii) The Organization shall retain any portion of the entrance fee necessary to pay any unpaid indebtedness to the Organization incurred by the resident, including any unpaid monthly service fees and any unpaid expenses incurred by the resident for health or other services.

The Organization manages a section of housing adjacent to the facility called Cottage Commons. During 2008, a resident purchased a home in the cottage commons and signed a contract that entitles Palm Village to title of the home. The contract is designed so that 80% of the agreed upon market value at the time of transfer is refundable when the last resident leaves the home. If the resident leaves the home and enters a unit in assisted living or the health center, the 80% value of the home is used to cover their health care cost for the duration of their stay. When the resident leaves Palm Village, 80% of the home's originally determined market value, less any healthcare cost incurred during their stay at Palm Village, will be refunded to the resident's estate.

Obligation to Provide Future Services
The Organization provides services and use of facilities under fee-for-service continuing-care contracts. Such contracts allow for the increase in periodic fees to cover costs of services and use of facilities without restriction. Therefore a liability for future services has not been estimated.

Accommodation Fee Deposits
Guaranty deposits of $1,000 are required for each resident entering the independent or assisted living facilities within Palm Village Retirement Community. In addition, some residents prepay part of their accommodation fee before moving in. Management accounts for these prepayments within the accommodation fee deposit account. The deposits are subtracted from the amount of accommodation fees due at the time the resident moves in. Total deposits as of December 31, 2013 and 2012 were $319,200 and $102,400, respectively.

Charity Care
The Organization provides care to residents under non Medi-Cal programs. Costs for these programs in excess of reimbursement were estimated to be approximately $352,000 and $431,000 for the years ended December 31, 2013 and 2012, respectively.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY

NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Advertising
Advertising costs are charged to operations when incurred. Advertising expense was $100,801 $53,691 for the years ended December 31, 2013 and 2012, respectively.

Fair Value of Financial Instruments
Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Additionally, from time to time, the Organization may be required to record at fair value other assets on a nonrecurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets. Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment.

The Organization also adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value, however the Organization may elect to measure newly acquired financial instruments at fair value in the future.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, assets limited as to use, accounts payable and accrued expenses, other current liabilities, capital leases payable, and current notes payable approximate fair value due the short maturity of these financial instruments. The fair value of bonds payable with variable interest rates are based on quoted market prices for the same or similar issues. The carrying amount reported in the statement of financial position approximates fair value.

Prior Year Reclassifications

Certain reclassifications of the December 31, 2012 amounts were made in order to conform to the December 31, 2013 presentation. In particular, the Organization reclassified purchases of equipment from prepaid expenses.

Subsequent Events

In preparing these financial statements, the Organization has considered events and transactions that have occurred through March 14, 2014, the date the financial statements were available to the users.

NOTE 2 - ASSETS LIMITED AS TO USE:

The composition of assets limited as to use at December 31, 2013 and 2012 is as follows:

	2013	2012
Debt Service Funds	$ 199,354	$ 191,687
Board Designated Reserve Fund	374,469	365,489
Chapel Fund	959	5,357
Resident Funds	63,429	43,687
Total	$ 638,211	$ 606,220

Assets limited as to use that are required for obligations classified as current liabilities and other required uses within one year are reported as current assets.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY

NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 3 - LONG-TERM DEBT:

The Organization's long-term debt at December 31, 2013 and 2012 is summarized below:

Description	2013	2012
Certificates of Participation, Series 2005, interest based on a variable rate is payable monthly, annual principal payments, mature October 1, 2026.	$ 7,980,000	$ 8,440,000
Unsecured Notes Payable to Individuals (due in varying amounts through 2014, interest ranging, up to 5.0%).	155,000	255,000
Total	8,135,000	8,695,000
Less: Current Maturities	(635,000)	(615,000)
Long-Term Debt	$ 7,500,000	$ 8,080,000

The scheduled maturities of the long-term debt are as follows:

Year Ending December 31,	Amount
2014	$ 635,000
2015	500,000
2016	520,000
2017	540,000
2018	560,000
Thereafter	5,380,000
Total	$ 8,135,000

Certificates of Participation

In August 2005, Palm Village Retirement Community issued $12,085,000 in Certificates of Participation, Series 2005 (the 2005 Certificates) through the City of Reedley, California. The 2005 Certificates were issued to refinance the Certificates of Participation, Series 1996, to pay costs of issuance, to payoff personal notes and to provide funding for capital expenditures. In connection with the issuance of the 2005 Certificates, the Organization has granted legal title of the facilities to the City of Reedley, California, and has pledged and granted a security interest in its gross revenues.

By definition, Certificates of Participation are long-term tax-exempt bonds, the interest rate of which is indexed to a current short-term market rate. A demand feature allows the bonds to be remarketed weekly at par value plus accrued interest.

NOTE 3 - LONG-TERM DEBT: (continued)

Certificates of Participation (continued)
Under the terms of the bond issue, the Organization leases the property from the City. The lease agreement between the Organization and the City requires the Organization to make the lease payments to a bond trustee who is responsible to maintain specific principal, interest and bond reserve accounts. The actual principal and interest payments are made to the bondholders by the bond trustee from the principal and interest accounts. Upon retirement of the bonds, the Organization has the option to purchase the leased property for a nominal amount. Accordingly, the leased property and bond indebtedness has been included in the financial statements as assets and liabilities of the Organization. The bonds are secured by substantially all of the Organization's assets.

The Organization holds an irrevocable letter of credit with the bond trustee and an irrevocable standby letter of credit with the Federal Home Loan Bank of San Francisco for the face amount of the bonds. The standby letter of credit has been extended to August 2017. In the unlikely event remarketing is not successful; the letter of credit will be drawn upon to pay the bond trustee.

The Organization has a liability to the bond trustee immediately upon a draw on the letter of credit. Any draws on the letter of credit are subject to repayment the earliest of 36 months after the date of the draw or the termination date of the letter of credit.

Restrictive Covenants
The provisions of the 2005 Certificates contain various restrictive covenants pertaining to financial and operational requirements of the Organization, debt service coverage, minimum unrestricted net assets and cash reserves held in trust.

Capital Lease
The Organization leases phone equipment under two capital leases. The assets are included in equipment as follows on December 31, 2013:

Equipment	$ 78,999
Less: accumulated depreciation	(57,319)
Total	$ 21,680

NOTE 3 - LONG-TERM DEBT: (continued)

Capital Lease (continued)

One of the equipment leases requires monthly payments of $631 through April 2014 and the other monthly payments of $1,261 through February 2015. Future minimum lease payments under these leases are as follows:

Year Ending December 31,	Amount
2014	$ 18,952
2015	2,506
Total	21,458
Less: current portion	(18,952)
Total long-term capital lease	$ 2,506

NOTE 4 - EMPLOYEE RETIREMENT PLAN:

The Organization has a Section 403(b) retirement plan which covers substantially all employees after specified periods of service and after meeting certain eligibility requirements. The plan includes a salary deferral through a payroll savings program with no matching employer contributions.

NOTE 5 - CONCENTRATIONS OF CREDIT RISK:

The Organization maintains its cash and cash equivalents with financial institutions and the Mennonite Brethren Foundation. Deposits maintained at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Deposits with the Mennonite Brethren are not insured. At times these balances may be in excess of the FDIC insurance limit. At December 31, 2013 and 2012, cash and cash equivalents with financial institutions exceeded insurance limits by approximately $3.3 million and uninsured deposits with the Mennonite Brethren Foundation approximated $600,000.

The Organization grants credit without collateral to its residents or their families, most of whom are local residents and many who are insured under third-party payer agreements. The mix of receivables from residents and third-party payers at December 31, 2013 and 2012 was as follows:

	2013	2012
Medicare	21 %	18 %
Medi-Cal	36	35
Private	30	22
Other	13	25
Total	100 %	100 %

NOTE 6 - CONTINGENCIES AND COMMITMENTS:

Government Regulations -Medi-Cal

The California Health and Human Services Agency, Department of Health Services, reserves the right to perform field audit examinations of the Organization's records. Any adjustments resulting from such examinations could retroactively adjust Medi-Cal revenue.

Government Regulations -Medicare

The Medicare intermediary has the authority to audit the skilled nursing facility's records any time within a three-year period after the date the skilled nursing facility receives a final notice of program reimbursement for each cost reporting period. Any adjustments resulting from these audits could retroactively adjust Medicare revenue.

Self-Insurance Plan and Stop Loss Insurance

The Organization operates a self insurance plan for employee health insurance benefits which is managed by a third party administrator. At December 31, 2013 and 2012, the accrual for estimated but not incurred liabilities was $53,000 and is recorded in other current liabilities in the statement of financial position.

The Organization has entered into a stop-loss agreement with an insurance company to limit its losses on individual claims. Under the terms of the agreement, the insurance company will reimburse the Organization 100% of the cost of annual claims, in excess of an $85,000 aggregate deductible, up to $1,000,000 each covered period. The loss limit is $85,000 per individual. Stop-loss insurance premiums of approximately $148,000 and $115,000 are included in operating expenses for the years ended December 31, 2013 and 2012, respectively.

Workers' Compensation Insurance

The Organization is part of a group self-insured plan for workers' compensation. Significant claims experienced could impact the results of operations based on independent audits performed by the state. There was no receivable from claims paid recorded as of December 31, 2013 and 2012. There are no estimated future claims for incurred incidents as of December 31, 2013. Workers' compensation insurance expense for the years ended December 31, 2013 and 2012 totaled $288,915 and $254,348.

Other

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as, significant repayments for resident services previously billed.

NOTE 6 - CONTINGENCIES AND COMMITMENTS: (continued)

Litigation

The Organization is subject to asserted and unasserted claims encountered in the normal course of business. The Organization's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. In the opinion of management, disposition of these matters will not have a material effect on the Organization's financial condition or results of operations.

NOTE 7 - FUNCTIONAL CLASSIFICATION OF EXPENSES:

Functional classification of operating expenses for the years ended December 31, 2013 and 2012 consisted of the following:

	2013	2012
Program	$ 10,618,564	$ 10,657,316
Management and general support	2,478,669	2,524,243
Total operating expenses	$ 13,097,233	$ 13,181,559

Fund raising expenses incurred during the years ended December 31, 2013 and 2012 were included in Other Income (Expense) on the Statement of Activities.

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting services, are allocated based on the best estimates of management.

NOTE 8 - REDEVELOPMENT PLAN OBLIGATION (AB 1169 Disclosure):

The Organization's planned projects are designed to meet the needs of the organization by providing additional housing and facilities for residents, consistent with the Organization's tax exempt status. During the year ended December 31, 2013 and 2012, the Organization expended approximately $350,000 and $150,000 for construction costs for its various facilities, including its new assisted living memory care unit. Projects are funded by notes payable and unrestricted net assets. The board has also designated $374,469 and $365,489 during the year ended December 31, 2013 and 2012 to be available for potential future contingencies.

NOTE 9 - 2011 RESTATEMENT:

The 2012 beginning net assets were restated by $188,805 to report actual self-insured claims and estimated but not incurred liabilities at December 31, 2011 under the Organization's self-insurance plan.

MENNONITE BRETHREN HOMES, INC.
DBA: PALM VILLAGE RETIREMENT COMMUNITY

STATE OF CALIFORNIA CONTINUTING CARE RESERVE REPORT

December 31, 2013
and
Independent Auditor's Report

VICENTI ♦ LLOYD ♦ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

RECEIVED
APR 29 2014
CONTINUING CARE
CONTRACTS BRANCH

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Palm Village Retirement Community

We have audited the accompanying continuing care reserve report of Mennonite Brethren Homes, Inc. dba Palm Village Retirement Community (Palm Village), a California Not-For-Profit Corporation, as of December 31, 2013.

Management's Responsibility for the Continuing Care Reserve Report

Management is responsible for the preparation and fair presentation of the continuing care reserve report in accordance with the reporting provisions of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the continuing care reserve report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the continuing care reserve report based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the continuing care reserve report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the continuing care reserve report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the continuing care reserve report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the organization's preparation and fair presentation of the continuing reserve report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the continuing care reserve report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2210 E. Route 66, Suite 100, Glendora, CA 91740
Tel 626.857.7300 | Fax 626.857.7302 | E-Mail INFO@VLSLLP.COM | Web WWW.VLSLLP.COM

Opinion

In our opinion, such continuing care reserve report Forms 1-1, 1-2, and 5-1 through 5-5 present fairly, in all material respects, the liquid reserve requirements of Palm Village, at December 31, 2013, in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

Basis of Accounting

The continuing care reserve report is prepared for the purpose of complying with the California Health and Safety Code Section 1792 and is not intended to be a complete presentation of Palm Village's assets, liabilities, revenues and expenses and as such is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Restriction of Use

This report is intended solely for the information and use of the board of directors and management of Palm Village and for filing with the California Department of Social Services and is not intended to be and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
April 23, 2014

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	154
[2]	Number at end of fiscal year	153
[3]	Total Lines 1 and 2	307
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	X.50
[5]	Mean number of continuing care residents	153.5
	All Residents	
[6]	Number at beginning of fiscal year	290
[7]	Number at end of fiscal year	286
[8]	Total Lines 6 and 7	576
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	X.50
[10]	Mean number of *all* residents	288
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.53

Line

FORM 1-2
ANNUAL PROVIDER FEE

TOTAL

Line			
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		13,097,233
[a]	Depreciation	777,595	
[b]	Debt Service (Interest Only)	20,831	
[2]	Subtotal (add Line 1 a and 1 b)		798,426
[3]	Subtract Line 2 from Line 1 and enter result.		12,298,807
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		0.53
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		6,555,093
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		6,555

PROVIDER: Mennonite Brethren Homes, Inc.
COMMUNITY: Palm Village Retirement Community

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	8/25/2005	460,000	8,553	65,693	534,246
2	various	100,000	10,611	-	110,611
3	9/1/2008	6,940	1	-	6,941
4	3/1/2012	12,312	1,666	-	13,978
5			-		
6			-		
7			-		
8			-		
		TOTAL:	20,831	65,693	665,776

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

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

PROVIDER: Mennonite Brethren Homes, Inc

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					
2					
3					
4					
5					
6					
7					
8					
	TOTAL:				

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

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

PROVIDER: Mennonite Brethren Homes, Inc

For the Year Ended 12/31/13
Form 5-1 & 5-2 Financial Statement Reconciliation

Audited Financial Statements: Cash Flows from Principal Payments on Long-Term Debt		$	579,252
Form 5-2 Long-Term Debt Obligation		$	-
Form 5-1 Long-Term Debt Obligations			
1	460,000		
2	100,000		
3	6,940		
4	12,312		
			579,252
		$	579,252

Audited Financail Statemens: Cash flows paid to suppliers and employees	$	12,357,954
Less other operating expenses		(12,292,261)
Amounts paid for credit enhancement premiums	$	65,693
Form 5-1 (d) Credit Enhancement Premiums Paid	$	65,693

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	665,776
2	Total from Form 5-2 bottom of Column (e)	-
3	Facility leasehold or rental payment paid by provider during fiscal year, (including related payments such as lease insurance)	-
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	665,776

PROVIDER: Mennonite Brethren Homes, Inc

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		13,097,233
2	Deductions		
a	Interest paid on long-term debt (see instructions)	20,831	
b	Credit enhancement premiums paid for long-term debt (see instructions)	65,693	
c	Depreciation	777,595	
d	Amortization	36,793	
e	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	9,679,423	
f	Extraordinary expenses approved by the Department	0	
3	Total Deductions		10,580,335
4	Net Operating Expenses		2,516,898
5	Divide Line 4 by 365 and enter the result.		6,896
6	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve mount.		517,171

PROVIDER: Mennonite Brethren Homes, Inc
COMMUNITY: Palm Village Retirement Community

For the Year Ended 12/31/13
Form 5-4 line 2-e

		$	9,679,423
Resident Revenue		$	13,209,079
Less:			
Amort of entrance fees	(742,197)		
Other revenue	(74,728)		
RCC & HCC	(2,141,934)		
Patio Home Maint Fees	(570,797)		
			(3,529,656)
		$	9,679,423

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Mennonite Brethren Homes, Inc.

Fiscal Year Ended: 12/31/2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2013 and are in compliance with those requirements

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

		Amount
[1]	Debt Service Reserve Amount	665,776
[2]	Operating Expense Reserve Amount	517,171
[3]	**Total Liquid Reserve Amount:**	1,182,947

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

	Qualifying Asset Description		**Amount (market value at end of quarter)** Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents		1,500,000		1,949,774
[5]	Investment Securities				
[6]	Equity Securities				
[7]	Unused/Available Lines of Credit				
[8]	Unused/Available Letters of Credit				
[9]	Debt Service Reserve				(not applicable)
[101	Other:				
	(describe qualifying asset)				
	Total Amount of Qualifying Assets Listed for Liquid Reserve:	[11]	1,500,000	[12]	1,949,774
	Total Amount Required:	[13]	665,776	[14]	517,171
	Surplus/(Deficiency):	[15]	834,224	[16]	1,432,603

Signature: [signature]

(Authorized Representative)

Date: 4/25/14

CEO/President

(Title)

Reserve Disclosure as of 12/31/13

			Bank Accounts at Bank of the Sierra (BOTS) Reedley, CA Account #s
CASH IN BANK - BOTS	$ 861,002		#822777270
PVSN CASH IN BANK	$ 6,845		#1500577170
BOTS STAFF HEALTH INSURANCE	$ 76,871		#822824870
CERTIFICATE OF DEPOSIT	$ 2,289,281		#1501076750
MB LOAN FUND	$ 215,775		#10763-130
	$ 3,449,774		

	Debt Service Reserve	Operating Reserve	
Debt Service Reserve	$ 1,500,000		
Operating Reserve		$ 1,949,774	
Cash and Cash Equivalents (line 4)	**$ 1,500,000**	**$ 1,949,774**	**$ 3,449,774**

Bank Accounts at Bank of the Sierra (BOTS)
Reedley, CA
Account #s
#822750070

Total Amount of Qualifing Assets	**$ 1,500,000**	**$ 1,949,774**

No funds have been accumulated for identified projects or purposes and no funds are maintained or designated for specific contingencies.

FORM 7-1

REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	603.00 per month	99.00 per day	239.00 per day
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	0.00%	0.00%	0.00%

X Check here if monthly service 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: ____________________
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

☐ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

☐ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

☐ 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.

☐ 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.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: Mennonite Brethren Homes, Inc.

COMMUNITY: Palm Village Retirement Community

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	603.00 per month	99.00 per day	239.00 per day
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	0.00%	0.00%	0.00%

x Check here if monthly service 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: ______________
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

☐ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

☐ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

☐ 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.

☐ 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.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: Mennonite Brethren Homes, Inc.

COMMUNITY: Palm Village Retirement Community

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 02/28/14

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APR 29 2014
CONTINUING CARE CONTRACTS BRANCH

FACILITY NAME: Palm Village Retirement Community

ADDRESS: 701 W. Herbert, Reedley, CA **ZIP CODE:** 93654 **PHONE:** 559-638-6933

PROVIDER NAME: Mennonite Brethren Homes, Inc. **FACILITY OPERATOR:** Mennonite Brethren Homes, Inc

RELATED FACILITIES: N/A **RELIGIOUS AFFILIATION:** Mennonite Brethren

YEAR OPENED: 1942 **# OF ACRES:** 17 ☑ **SINGLE STORY** ☑ **MULTI-STORY** ☐ **OTHER:** ____

MILES TO SHOPPING CTR: 1
MILES TO HOSPITAL: 5

NUMBER OF UNITS:

RESIDENTIAL LIVING		**HEALTH CARE**	
APARTMENTS — STUDIO:		ASSISTED LIVING:	71 suites
APARTMENTS — 1 BDRM:		SKILLED NURSING:	105 beds
APARTMENTS — 2 BDRM:		SPECIAL CARE:	15 beds
COTTAGES/HOUSES:	79 units	DESCRIBE SPECIAL CARE:	Dementia
RLU OCCUPANCY (%) AT YEAR END:	96%		

TYPE OF OWNERSHIP: ☑ NOT-FOR-PROFIT ☐ FOR- PROFIT ACCREDITED?: ☐ YES ☐ NO BY: ____

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

REFUND PROVISIONS: (Check all that apply) ☐ 90% ☐ 75% ☐ 50% ☐ PRORATED TO 0% ☑ OTHER: 50 month amort.

RANGE OF ENTRANCE FEES: $ 58,500 TO $ 136,500 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☑ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 14 days respite care each year for Independent Living Res

ENTRY REQUIREMENTS: MIN. AGE: ____ PRIOR PROFESSION: ____ OTHER: ____

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): The residents select a resident representative to the board annually. The resident shares in board discussions and is involved with board committees including the budget committee. The resident representative is free to share in discussion and board study. The representative is a non-voting member of the board.

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	☑	☑	HOUSEKEEPING (31 TIMES/MONTH)	☑	☑
BILLIARD ROOM	☑	☐	MEALS (3 /DAY)	☑	☑
BOWLING GREEN	☐	☐	SPECIAL DIETS AVAILABLE	☑	☑
CARD ROOMS	☐	☐			
CHAPEL	☑	☐	24-HOUR EMERGENCY RESPONSE	☑	☐
COFFEE SHOP	☑	☐	ACTIVITIES PROGRAM	☑	☐
CRAFT ROOMS	☑	☐	ALL UTILITIES EXCEPT PHONE	☐	☑
EXERCISE ROOM	☑	☐	APARTMENT MAINTENANCE	☑	☐
GOLF COURSE ACCESS	☐	☐	CABLE TV	☑	☑
LIBRARY	☑	☐	LINENS FURNISHED	☑	☐
PUTTING GREEN	☐	☐	LINENS LAUNDERED	☑	☐
SHUFFLEBOARD	☐	☐	MEDICATION MANAGEMENT	☑	☑
SPA	☐	☐	NURSING/WELLNESS CLINIC	☐	☐
SWIMMING POOL-INDOOR	☐	☐	PERSONAL HOME CARE	☑	☑
SWIMMING POOL-OUTDOOR	☐	☐	TRANSPORTATION-PERSONAL	☑	☑
TENNIS COURT	☐	☐	TRANSPORTATION-PREARRANGED	☑	☑
WORKSHOP	☐	☐	OTHER ____	☐	☐
OTHER ____	☐	☐			

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: Mennonite Brethren Homes, Inc.

CCRCs	LOCATION (City, State)	PHONE (with area code)
Palm Village Retirement Community	Reedley, CA	559-638-6933

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

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

PROVIDER NAME: Mennonite Brethren Homes, Inc.

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	1285261	12655018	12826935	12466882
LESS OPERATING EXPENSES (excluding depreciation, amortization, and interest)	11665404	11810360	12448872	12262014
NET INCOME FROM OPERATIONS	819857	844658	378063	204868
LESS INTEREST EXPENSE	383738	145278	29786	20831
PLUS CONTRIBUTIONS	198195	188630	207228	225238
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	42997	43294	41262	30903
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	677341	931304	596767	440178
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	719931	521524	753368	610920

DESCRIPTION OF SECURED DEBT (AS OF MOST RECENT FISCAL YEAR END)

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Cert. of Participation				10/01/26	21 years

FINANCIAL RATIOS
(see next page for ratio formulas)

	2012 CCAC Medians 50th Percentile *(optional)*	2011	2012	2013
DEBT TO ASSET RATIO		.46	.43	.41
OPERATING RATIO		94.47	97.28	98.52
DEBT SERVICE COVERAGE RATIO		1.98	1.63	1.24
DAYS CASH-ON-HAND RATIO		119	117	103

HISTORICAL MONTHLY SERVICE FEES
(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO							
ONE BEDROOM	552		560		560		560
TWO BEDROOM	594		603		603		603
COTTAGE/HOUSE							
ASSISTED LIVING	99		99		99		99
SKILLED NURSING	235		239		239		239
SPECIAL CARE	235		239		239		239

COMMENTS FROM PROVIDER:

PROVIDER NAME: Mennonite Brethren Homes, Inc.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

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KEY INDICATORS REPORT

MENNONITE BRETHREN HOMES, INC. D/B/A PALM VILLAGE RETIREMENT COMMUNITY

Chief Executive Officer Signature

Date Prepared: May 20, 2014	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Projected 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018
OPERATIONAL STATISTICS										
1. Average Annual Occupancy by Site (%)	91.1%	95.6%	95.6%	96.8%	95.0%	94.4%	94.4%	94.4%	94.4%	94.4%
MARGIN (PROFITABILITY) INDICATORS										
2. Net Operating Margin (%)	6.5%	6.4%	7.5%	3.1%	2.1%	2.8%	2.8%	2.8%	3.2%	3.7%
3. Net Operating Margin - Adjusted (%)	13.7%	11.5%	11.2%	9.1%	8.2%	6.7%	6.8%	6.8%	7.3%	7.8%
LIQUIDITY INDICATORS										
4. Unrestricted Cash and Investments ($000)	3,695	3,898	4,218	4,385	3,825	3,135	3,047	3,205	3,438	3,738
5. Days Cash on Hand (Unrestricted)	113.4	116.9	131.7	125.2	107.0	93.7	89.4	90.5	94.9	101.0
CAPITAL STRUCTURE INDICATORS										
6. Deferred Revenue from Entrance Fees ($000)	4,052	4,219	4,038	4,012	4,528	4,083	3,927	3,926	4,467	4,431
7. Net Annual E/F proceeds ($000)	1,003	720	522	837	828	514	539	564	589	614
8. Unrestricted Net Assets ($000)	1,758	2,427	3,549	4,142	4,483	2,937	3,991	4,525	4,904	5,382
9. Annual Capital Asset Expenditure ($000)	351	236	538	403	733	1029	750	500	500	530
10. Annual Debt Service Coverage Revenue Basis (x)	1.07	1.17	2.01	1.18	0.92	1.06	1.21	1.14	1.20	1.28
11. Annual Debt Service Coverage (x)	2.06	1.98	2.91	2.55	2.01	2.11	2.11	1.99	2.01	2.07
12. Annual Debt Service/Revenue (%)	7.8%	6.7%	4.3%	4.0%	4.2%	4.5%	4.5%	4.8%	5.1%	5.3%
13. Average Annual Effective Interest Rate (%)	5.7%	4.7%	1.6%	1.3%	1.3%	1.5%	1.4%	2.3%	3.3%	4.2%
14. Unrestricted Cash & Investments/Long-Term Debt (%	34.3%	41.3%	48.5%	53.1%	48.1%	44.7%	46.7%	53.4%	63.0%	76.3%
15. Average Age of Facility (years)	13.9	14.5	16.3	15.6	15.6	16.9	16.5	16.6	17.0	17.4