

MEADOWBROOK VILLAGE
CHRISTIAN RETIREMENT COMMUNITY

RECEIVED
MAY 02 2016

April 27, 2016

Allison Nakatomi
CDSS-Continuing Care Contracts Branch
744 P. Street, MS 8-3-90
Sacramento, CA 95814

CONTINUING CARE
CONTRACTS BRANCH

Dear Ms. Nakatomi:

Enclosed please find three copies of our Annual Report for 2015 as well as a check for \$1,797.00 for the Provider Fee. Part 8, the Key Indicator's Report, will be completed and sent by May 31, 2016. Please feel free to contact me if you have any questions.

Sincerely,

Mark Memmelaar
Director

enclosures

Part 1

Annual Provider Fees

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	126
[2]	Number at end of fiscal year	127
[3]	Total Lines 1 and 2	253
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	126.5
All Residents		
[6]	Number at beginning of fiscal year	13
[7]	Number at end of fiscal year	144
[8]	Total Lines 6 and 7	287
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	143.5
[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).	0.88

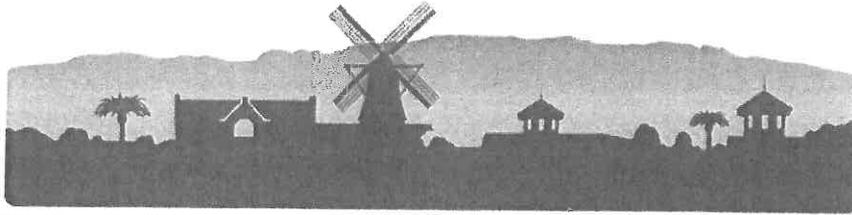
**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)
	\$5,016,350
[a]	Depreciation
	\$1,966,635
[b]	Debt Service (Interest Only)
	\$1,010,829
[2]	Subtotal (add Line 1a and 1b)
	\$2,977,514
[3]	Subtract Line 2 from Line 1 and enter result.
	\$2,038,836
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)
	88%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)
	\$1,797,301
	x .001
[6]	Total Amount Due (multiply Line 5 by .001)
	\$1,797

PROVIDER Meadowbrook Village Christian Retirement Community
 COMMUNITY Meadowbrook Village Christian Retirement Community

Part 2

Certification by Chief Executive Officer



MEADOWBROOK VILLAGE
CHRISTIAN RETIREMENT COMMUNITY

RECEIVED
MAY 02, 2016
CONTINUING CARE
CONTRACTS BRANCH

Annual Report, Part 2
Certification by Chief Executive Officer

I hereby certify that:

- The annual report and any amendments 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, and
- As of the date below, Meadowbrook Village is maintaining the required liquid reserve and, if applicable, the required refund reserve.

Meadowbrook Village Christian Retirement Community

By: _____

Name: Jacob Brouwer

Title: President and Chief Executive Officer

Date: 4-27-16

Part 3

Evidence of Fidelity Bond

SURETY BOND VERIFICATION

Reply to: California Department of Public Health
Licensing and Certification Program
Centralized Applications Unit
P.O. Box 997377, MS 3402
Sacramento, CA 95899-7377

California Health and Safety Code, Section 1318, Chapter 2, Division 2, requires that licensed health facilities that handle money in excess of \$25 per patient or over \$500 for all patients in any month, be bonded for not less than \$1,000. This is to serve as a guarantee for the faithful and honest handling of the money of such patients.

INSTRUCTIONS: This form is to be completed by the bonding agency. In addition, attach an *original copy of the bond*. In the event of cancellation of the bond, please send notice to the above licensing office.

BE IT KNOWN THAT:

Facility name Meadowbrook Village Christian Retirement Community

Facility address 100 Holland Glen City Escondido County San Diego ZIP code 92026

State of California, as *Principal*, and

Bonding agency Nationwide Mutual Insurance Company

Agency address 1100 Locust St. Dept. 2006 City Des Moines County Polk ZIP code 50391

State of Ohio, as *Surety*, are held and firmly bound unto the STATE OF CALIFORNIA in the full and just sum of

Fifty Thousand Dollars and No/100 DOLLARS (\$50,000.00), for the payment of which the said Principal and said Surety bind themselves, their respective heirs, successors, and assigns, jointly and severally, firmly by these presents.

The CONDITION of this obligation is such that

WHEREAS, the Principal has applied for or has been issued a license by the California Department of Public Health to maintain or conduct a health facility pursuant to Chapter 2, Division 2, of the Health and Safety Code of the State of California; and

WHEREAS, by the terms of Section 1318 of said code, the Principal is required to file with the California Department of Public Health, Licensing and Certification, the bond running to the State of California.

NOW, THEREFORE, if the above bounden Principal shall faithfully and honestly handle money of patients in the care of said Principal, then this obligation shall be null and void; otherwise to remain in full force and effect.

Every patient injured as a result of any improper or unlawful handling of the money of a patient of a health facility may bring an action in a proper court on the bond required to be posted by the licensee pursuant to this section for the amount of damage he/she suffered as a result thereof to the extent covered by the bond.

This bond may be canceled by the Surety in accordance with the provisions of Section 996.310 et seq. of the Code of Civil Procedure. This bond is effective 08/01/15 and continuous.
Date

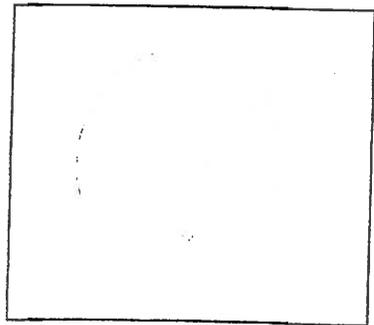
IN WITNESS WHEREOF, we have subscribed our names and impressed our seal this 11th January, 2016.
Day Month Year

Jack Brouwer

Bonding agent name (please print)



Bonding agent signature



BONDING AGENCY SEAL

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS THAT:

Nationwide Mutual Insurance Company, an Ohio corporation
Farmland Mutual Insurance Company, an Iowa corporation
Nationwide Agribusiness Insurance Company, an Iowa corporation

AMCO Insurance Company, an Iowa corporation
Allied Property and Casualty Insurance Company, an Iowa corporation
Depositors Insurance Company, an Iowa corporation

hereinafter referred to severally as the "Company" and collectively as the "Companies," each does hereby make, constitute and appoint:

Jack Brouwer

each in their individual capacity, its true and lawful attorney-in-fact, with full power and authority to sign, seal, and execute on its behalf any and all bonds and undertakings, and other obligatory instruments of similar nature, in penalties not exceeding the sum of

Fifty Thousand Dollars and NO/100 (\$50,000.00)

and to bind the Company thereby, as fully and to the same extent as if such instruments were signed by the duly authorized officers of the Company; and all acts of said Attorney pursuant to the authority given are hereby ratified and confirmed.

This power of attorney is made and executed pursuant to and by authority of the following resolution duly adopted by the board of directors of the Company:

"RESOLVED, that the president, or any vice president be, and each hereby is, authorized and empowered to appoint attorneys-in-fact of the Company, and to authorize them to execute and deliver on behalf of the Company any and all bonds, forms, applications, memorandums, undertakings, recognizances, transfers, contracts of indemnity, policies, contracts guaranteeing the fidelity of persons holding positions of public or private trust, and other writings obligatory in nature that the business of the Company may require; and to modify or revoke, with or without cause, any such appointment or authority; provided, however, that the authority granted hereby shall in no way limit the authority of other duly authorized agents to sign and countersign any of said documents on behalf of the Company."

"RESOLVED FURTHER, that such attorneys-in-fact shall have full power and authority to execute and deliver any and all such documents and to bind the Company subject to the terms and limitations of the power of attorney issued to them, and to affix the seal of the Company thereto; provided, however, that said seal shall not be necessary for the validity of any such documents."

This power of attorney is signed and sealed under and by the following bylaws duly adopted by the board of directors of the Company.

Execution of Instruments. Any vice president, any assistant secretary or any assistant treasurer shall have the power and authority to sign or attest all approved documents, instruments, contracts, or other papers in connection with the operation of the business of the company in addition to the chairman of the board, the chief executive officer, president, treasurer or secretary; provided, however, the signature of any of them may be printed, engraved, or stamped on any approved document, contract, instrument, or other papers of the Company.

IN WITNESS WHEREOF, the Company has caused this instrument to be sealed and duly attested by the signature of its officer the 13th day of February, 2014.



Terrance Williams

Terrance Williams, President and Chief Operating Officer of Nationwide Agribusiness Insurance Company and Farmland Mutual Insurance Company; and **Vice President** of Nationwide Mutual Insurance Company, AMCO Insurance Company, Allied Property and Casualty Insurance Company, and Depositors Insurance Company



ACKNOWLEDGMENT

STATE OF IOWA, COUNTY OF POLK: ss

On this 13th day of February, 2014, before me came the above-named officer for the Companies aforesaid, to me personally known to be the officer described in and who executed the preceding instrument, and he acknowledged the execution of the same, and being by me duly sworn, deposes and says, that he is the officer of the Companies aforesaid, that the seals affixed hereto are the corporate seals of said Companies, and the said corporate seals and his signature were duly affixed and subscribed to said instrument by the authority and direction of said Companies.



Sandy Alitz
Notarial Seal - Iowa
Commission Number 152785
My Commission Expires March, 24, 2017

Sandy Alitz

Notary Public
My Commission Expires
March 24, 2017

CERTIFICATE

I, Robert W Horner III, Secretary of the Companies, do hereby certify that the foregoing is a full, true and correct copy of the original power of attorney issued by the Company; that the resolution included therein is a true and correct transcript from the minutes of the meetings of the boards of directors and the same has not been revoked or amended in any manner; that said Terrance Williams was on the date of the execution of the foregoing power of attorney the duly elected officer of the Companies, and the corporate seals and his signature as officer were duly affixed and subscribed to the said instrument by the authority of said board of directors; and the foregoing power of attorney is still in full force and effect.

IN WITNESS WHEREOF, I have hereunto subscribed my name as Secretary, and affixed the corporate seals of said Companies this 11th day of January, 20 16.

Robert W Horner III
Secretary

This Power of Attorney Expires March 24, 2017

CRIME POLICY DECLARATIONS
FORM A

This Policy consists of this Declarations Form, the Common Policy Conditions, the Crime General Provisions Form and the Coverage Forms indicated as applicable.

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THE POLICY.

POLICY NO. Bd 7900663963

NATIONWIDE MUTUAL INSURANCE COMPANY AGENCY: Brouwer Insurance

1. NAMED INSURED Meadowbrook Village Christian Care Center
2. MAILING ADDRESS 1508 W. Mission Road
Escondido, CA
3. POLICY PERIOD: From August 1, 2007 To Continuous until cancelled
(12:01 A.M. Standard Time at your mailing address shown above)
4. COVERAGE, LIMITS OF INSURANCE AND DEDUCTIBLE

Coverage Forms Forming Part of This Policy	Limit of Insurance	Deductible Amount
Form A Blanket Bd 501 (02-97) 00 Bd 502 (02-97) 00	\$50,000.00	Nil

5. ENDORSEMENTS FORMING PART OF THIS POLICY WHEN ISSUED:
Bd 529 (10-90) 00 CR 10 30 01 86 SE 90 06 02 02 SR 5862
6. CANCELLATION OF PRIOR INSURANCE: By acceptance of this Policy you give us notice canceling prior policy or bond Nos. N/A

the cancellation to be effective at the time this Policy becomes effective.

Dated this 1st day of August, 2007.

NATIONWIDE MUTUAL INSURANCE COMPANY

Patricia P. Hatter

SENIOR VICE PRESIDENT,
GENERAL COUNSEL AND SECRETARY



PRESIDENT

COUNTERSIGNED

1.12.2016
(Date)

BY

J.E. Brouwer
(Authorized Representative)

CR DA 1
Bd 500 (04-00) 00

Page 1 of 2

Part 4

Audited Financial Statements

**Meadowbrook Village Christian
Retirement Community**

Financial Statements

Years Ended December 31, 2015 and 2014

Meadowbrook Village Christian Retirement Community
Financial Statements
Years Ended December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Meadowbrook Village Christian Retirement Community

CONTINUING CARE
CONTRACTS BRANCH

We have audited the accompanying financial statements of Meadowbrook Village Christian Retirement Community (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An 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 the accounting policies used and 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.

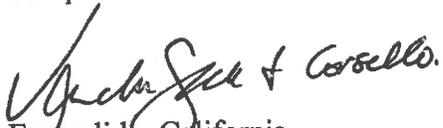
*Members of American Institute
of Certified Public Accountants
and California Society of
Certified Public Accountants*

350 W. Fifth Avenue, Suite 300
Escondido, California 92025
Voice 760-741-2659
Fax 760-743-7428

12631 E. Imperial Hwy., Suite 117E
Santa Fe Springs, California 90670
Voice 562-864-2504
Fax 562-864-1109

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meadowbrook Village Christian Retirement Community as of December 31, 2015 and 2014, and the 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.



Escondido, California

March 28, 2016

Meadowbrook Village Christian Retirement Community
Statements of Financial Position
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash	\$ 14,413	\$ 642,096
Accounts receivable	44,847	36,887
Receivable - entrance fee	166,063	631,287
Investments	955,579	-
Prepaid expenses	8,484	8,484
Deposit	31,700	-
Total Current Assets	<u>1,221,086</u>	<u>1,318,754</u>
Property and Equipment, Net of accumulated depreciation	<u>58,536,966</u>	<u>57,592,042</u>
Total Assets	<u><u>\$ 59,758,052</u></u>	<u><u>\$ 58,910,796</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Amounts drawn against future deposits	\$ 233,031	\$ -
Accounts payable and accrued expenses	937,329	816,324
Note payable to related party	29,958,805	28,100,000
Deferred revenue - entrance fees (current portion)	<u>1,293,766</u>	<u>1,314,918</u>
Total Current Liabilities	<u>32,422,931</u>	<u>30,231,242</u>
Other Liabilities:		
Deferred revenue - entrance fees	6,515,538	7,207,458
Refundable entrance fees	<u>13,431,324</u>	<u>13,629,295</u>
Total Other Liabilities	<u>19,946,862</u>	<u>20,836,753</u>
Total Liabilities	52,369,793	51,067,995
Net Assets, Unrestricted	<u>7,388,259</u>	<u>7,842,801</u>
Total Liabilities and Net Assets	<u><u>\$ 59,758,052</u></u>	<u><u>\$ 58,910,796</u></u>

See accompanying notes to financial statements

Meadowbrook Village Christian Retirement Community
Statements of Activities
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Unrestricted Support and Revenue:		
Fees for services	\$ 1,540,401	\$ 1,402,880
Entrance fees	1,310,430	1,277,711
Contributions	1,003,867	606,385
Rental fees	497,392	447,403
In-kind rent	125,000	125,000
Investment return	55,579	-
Interest and other income	<u>29,139</u>	<u>10,890</u>
Total Unrestricted Support and Revenue	<u>4,561,808</u>	<u>3,870,269</u>
Expenses:		
Program services	4,929,184	4,119,218
Supporting services		
General and administrative	<u>37,166</u>	<u>89,480</u>
Total Expenses	<u>5,016,350</u>	<u>4,208,698</u>
Decrease in Net Assets	(454,542)	(338,429)
Net Assets, beginning	<u>7,842,801</u>	<u>8,181,230</u>
Net Assets, ending	<u><u>\$ 7,388,259</u></u>	<u><u>\$ 7,842,801</u></u>

See accompanying notes to financial statements

Meadowbrook Village Christian Retirement Community
Statements of Functional Expenses
Years Ended December 31, 2015 and 2014

	2015		2014			
	Program Services	General and Administrative	Total	Program Services	General and Administrative	Total
Depreciation	\$ 1,966,685		\$ 1,966,685	\$ 1,967,970		\$ 1,967,970
Interest	1,010,829		1,010,829	509,754		509,754
Payroll and benefits	903,048	72,507	975,555	744,462	69,007	813,469
Utilities	258,073		258,073	250,154		250,154
Kitchen	228,273		228,273	227,031		227,031
In-kind rent	125,000		125,000	125,000		125,000
Insurance	118,878		118,878	73,814		73,814
Repair and maintenance	101,122		101,122	52,862		52,862
Landscaping	93,231		93,231	96,819		96,819
Professional fees	32,900	8,497	41,397	7,907	7,908	15,815
Equipment and supplies	30,962		30,962	22,647		22,647
Information technology	16,704		16,704	-		-
Office expenses	10,777	3,593	14,370	15,128	5,042	20,170
Hiring and training	10,576		10,576	9,377		9,377
License and fees	8,974		8,974	7,895		7,895
Marketing and advertising	-	1,469	1,469	-	5,121	5,121
Other	13,152	1,100	14,252	8,398	2,402	10,800
Total Expenses	\$ 4,929,184	\$ 87,166	\$ 5,016,350	\$ 4,119,218	\$ 89,480	\$ 4,208,698

See accompanying notes to financial statements

Meadowbrook Village Christian Retirement Community
Statements of Cash Flows (Direct Method)
Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows Provided by Operating Activities:		
Cash received from residents for entrance fees	1,751,839	\$ 1,572,201
Cash received from service recipients	1,532,441	1,396,321
Cash received from contributors	1,003,867	606,385
Cash received from customers	497,392	447,403
Interest and other income received	35,263	10,890
Interest paid	(777,798)	(509,754)
Cash paid to former residents for refundable entrance fees	(887,298)	(719,836)
Cash paid to employees and suppliers	(1,824,461)	(1,285,633)
Net Cash Provided by Operating Activities	1,331,245	1,517,977
Cash Flows Used by Investing Activities:		
Purchases of property and equipment	(2,911,609)	(5,266,187)
Purchases of investments	(906,124)	-
Net Cash Used by Investing Activities	(3,817,733)	(5,266,187)
Cash Flows Provided by Financing Activities:		
Proceeds from notes payable to related parties	1,858,805	4,000,000
Net (Decrease) Increase in Cash	(627,683)	251,790
Cash, beginning	642,096	390,306
Cash, ending	\$ 14,413	\$ 642,096
Cash Flows from Operating Activities:		
Change in net assets	\$ (454,542)	\$ (338,429)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,966,685	1,967,970
Unrealized gain on investments	(49,455)	-
(Increase) decrease in operating assets:		
Accounts receivable	457,264	(105,059)
Deposit	(31,700)	-
Increase (decrease) in operating liabilities:		
Accounts payable	354,036	325,891
Deferred revenue - entrance fees	(713,072)	(770,023)
Refundable entrance fees	(197,971)	437,627
Net Cash Provided by Operating Activities	\$ 1,331,245	\$ 1,517,977

See accompanying notes to financial statements

Meadowbrook Village Christian Retirement Community
Notes to Financial Statements
Years Ended December 31, 2015 and 2014

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

Meadowbrook Village Christian Retirement Community (Organization) was incorporated in 2004 in the State of California as a nonprofit public benefit corporation. The purpose of the Organization is to develop and operate housing specifically designed for the elderly with arrangements for residents' health care and financial security, and otherwise to promote the interests and serve the needs of the elderly. The Organization completed the majority of its construction and began operations in 2009.

In 2010 the Organization received a continuing care license for its facilities from the State of California, Department of Social Services. Since then the Organization has been able to enter into Continuing Care Contracts with its residents and collect entrance fees.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or specific passage of time before the Organization may spend the funds.

Meadowbrook Village Christian Retirement Community
Notes to Financial Statements
Years Ended December 31, 2015 and 2014

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

The Organization had no temporarily and permanently restricted net assets during the years ended December 31, 2015 and 2014.

Comparative Information

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

Accounts Receivable

The accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year-end and establish an allowance for doubtful accounts for uncollectible amounts. No allowance is considered necessary at December 31, 2015 because management believes all amounts are collectible.

Property and Equipment

Acquisitions of property and equipment of \$5,000 or more are capitalized. Property and equipment is stated at cost, or if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of three to forty years.

Deferred Revenue and Entrance Fees

The entrance fees that are collected upon entering into a continuing care contract are recorded either as deferred revenue or as a refundable liability. Each year a portion of the deferred revenue is recognized as income as it is earned.

Meadowbrook Village Christian Retirement Community
Notes to Financial Statements
Years Ended December 31, 2015 and 2014

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period.

In-Kind Revenue and Expense

In-kind revenue and expense has been recorded in the statements of activities for contributed rent. Contributed rent has been recognized at the estimated fair value for use of the facilities' land.

Advertising

Advertising costs are expensed as they are incurred. There were no advertising expenses in 2015. Advertising expenses were \$3,366 during the year ended December 31, 2014.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Sections 214 and 23701(d) of the California Revenue and Taxation Code. This exemption is for all income taxes except for those assessed on unrelated business income, if any. For the years ended December 31, 2015 and 2014, no such unrelated business taxable income was reported and, therefore, no provision for income taxes has been made. The Organization is not a private foundation.

Subsequent Events

The Organization has evaluated subsequent events through March 28, 2016 which is the date the financial statements were available to be issued.

Meadowbrook Village Christian Retirement Community
Notes to Financial Statements
Years Ended December 31, 2015 and 2014

Note 2 – Concentration of Credit Risk

The Organization maintains its cash balances at a financial institution where the balances are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2014, the Organization's cash balance in excess of \$250,000 was not insured.

Note 3 – Receivable-Entrance Fees

When the Organization enters into a residence and care agreement, a receivable for the entrance fee is recorded. Ten percent of the fee is due before the new resident moves in. The residents have up to one year to pay the balance that is due under the agreement.

Note 4 – Property and Equipment

Property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Software and equipment	\$ 134,965	\$ 134,965
Furniture and appliances	1,529,794	1,529,794
Buildings and structures	47,099,598	47,099,598
Land improvements	12,243,135	12,243,135
	<u>61,007,492</u>	<u>61,007,492</u>
Less accumulated depreciation	<u>(12,049,038)</u>	<u>(10,082,353)</u>
	48,958,454	50,925,139
Construction in progress	<u>9,578,512</u>	<u>6,666,903</u>
	<u><u>\$ 58,536,966</u></u>	<u><u>\$ 57,592,042</u></u>

The construction in progress consists of costs that are related to the expansion of the elderly housing facilities including a skilled nursing facility and additional apartments. Other projects may be started in future years. Depreciation expense for the years ended December 31, 2015 and 2014 was \$1,966,685, and \$1,967,970, respectively.

Meadowbrook Village Christian Retirement Community
Notes to Financial Statements
Years Ended December 31, 2015 and 2014

Note 5 – Entrance Fees and Deferred Revenue

The Organization receives an entrance fee when it enters into a residence and care agreement. In exchange for the entrance fee, the Organization agrees to provide residency, care and services. The entrance fee is refundable if the agreement is terminated within the first 90 days. After the 90-day period, the Organization is generally entitled to retain and recognize as revenue five percent of the entrance fee for each portion of a year the contract is in effect up to a maximum of 50 or 75 percent. The unearned portion of the entrance fee is recorded as a deferred revenue liability. The other 50 or 25 percent which eventually will be repaid is recorded as a long-term liability.

A breakdown of the deferred revenue - entrance fees liability is presented in the table below. The current portion represents the amount the Organization will be able to recognize as revenue in the next twelve months.

	<u>2015</u>	<u>2014</u>
Deferred revenue - entrance fees	\$ 7,809,304	\$ 8,522,376
Current portion	<u>(1,293,766)</u>	<u>(1,314,918)</u>
Long-term	<u>\$ 6,515,538</u>	<u>\$ 7,207,458</u>

Note 6 – Related Party Transactions

Note Payable

The Organization has a note payable to the Stewardship Foundation in the amount of \$29,958,805 and \$28,100,000 at December 31, 2015 and 2014, respectively. The Organization and the Stewardship Foundation share common Board members. The loan is unsecured and due on demand. Effective January 1, 2015 the loan agreement was modified to allow for the payment of interest at the annual rate of 4.8 percent for the non-construction portion of the loan.

Effective January 1, 2014 the loan agreement was modified to allow for the payment of interest at the annual rate of 2.25 percent for the non-construction portion of the loan. The construction portion of the loan remains interest-free. Interest expense was \$1,010,829 and \$509,754 for the years ended December 31, 2015 and 2014, respectively.

Meadowbrook Village Christian Retirement Community
Notes to Financial Statements
Years Ended December 31, 2015 and 2014

Note 6 – Related Party Transactions (continued)

Facilities Land

The housing facilities have been constructed on land owned by the Stewardship Foundation. The Organization and the Stewardship Foundation have entered into a lease agreement for use of the land for \$1 for the term of the initial lease. The lease will expire when the Organization completes the construction of the site improvements and buildings for the senior residential care facilities. The Organization has recorded the fair market value of rent in the amount of \$125,000 for the years ended December 31, 2015 and 2014 as in-kind rent revenue and expense.

Property and Personnel

The Organization purchased construction services, materials and personnel services from various entities that are controlled by the Organization's president totaling approximately \$2,318,600 and \$2,072,500 during the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, amounts due to those entities included in accounts payable were \$263,100 and \$266,700, respectively. The Board of Directors, excluding the interested directors, has reviewed and approved these related party transactions.

Contributions

During the years ended December 31, 2015 and 2014, the Organization received contributions of \$1,000,000 and \$600,000, respectively, from various related parties including the Stewardship Foundation.

Note 7 – Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time and usage.

Note 8 – Continuing Care Provider's Obligation for Future Services

The Organization is a Type C continuing care provider, which means that virtually all of its medical and assisted living services are provided on a fee-for-service basis. The Organization's remaining obligations for future services are covered by monthly fees. Therefore, no liability has been recorded other than the repayable portions of entrance fees.

**Meadowbrook Village Christian
Retirement Community**

Reserve Report

Year Ended December 31, 2015

Meadowbrook Village Christian Retirement Community
Reserve Report
Year Ended December 31, 2015

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MAY 02 2016

CONTINUING CARE
CONTRACTS BRANCH

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Meadowbrook Village Christian Retirement Community

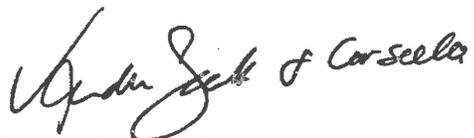
We have audited the accompanying continuing care reserve report ("Reports") of Meadowbrook Village Christian Retirement Community (the "Organization") as of December 31, 2015. These Reports are the responsibility of the Organization's management. Our responsibility is to express an opinion on the Reports 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 Reports are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Reports, assessing the accounting principles used and significant estimates made by the Organization's management, as well as evaluating the overall presentation of the Reports. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Reports were prepared for the purpose of complying with California Health and Safety Code section 1792 and are not intended to be a complete presentation of the Organization's assets, liabilities, revenues and expenses.

In our opinion, the Reports present fairly, in all material respects, the liquid reserve requirements of the Organization as of December 31, 2015, in conformity with the report preparation provisions of California Health and Safety Code section 1792.

The report is intended solely for the use of the Organization 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.



Escondido, California
March 28, 2016

Members of American Institute
of Certified Public Accountants
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**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	12/31/09		\$1,010,829	\$0	\$1,010,829
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
		TOTAL:	\$1,010,829	\$0	\$1,010,829

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

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

PROVIDER: Meadowbrook Village Christian Retirement Community

**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	\$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: Meadowbrook Village Christian Retirement Community

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	<u>\$1,010,829</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$0</u>
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	<u><u>\$1,010,829</u></u>

PROVIDER: Meadowbrook Village Christian Retirement Community

FORM 5-4

CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$5,016,350
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$1,010,829	
	b. Credit enhancement premiums paid for long-term debt (see instructions)		
	c. Depreciation	\$1,966,685	
	d. Amortization		
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract		
	f. Extraordinary expenses approved by the Department		
3	Total Deductions		\$2,977,514
4	Net Operating Expenses		\$2,038,836
5	Divide Line 4 by 365 and enter the result.		\$5,586
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$418,939

PROVIDER: Meadowbrook Village Christian Retirement Community
 COMMUNITY: Meadowbrook Village Christian Retirement Community

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

Date Prepared: 4-26-16

FACILITY NAME: Meadowbrook Village Christian Retirement Community
 ADDRESS: 100 Holland Glen, Escondido, CA ZIP CODE: 92026 PHONE: 760-746-2500
 PROVIDER NAME: Meadowbrook Village FACILITY OPERATOR: Meadowbrook Village
 RELATED FACILITIES: None RELIGIOUS AFFILIATION: Christian (Protestant)
 YEAR OPENED: '09 # OF SINGLE MULTI-
 ACRES: 25 STORY STORY OTHER: Both MILES TO SHOPPING CTR: 1.6
 MILES TO HOSPITAL: 4.2

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>0</u>	ASSISTED LIVING: <u>All units</u>
APARTMENTS — 1 BDRM: <u>22</u>	SKILLED NURSING: _____
APARTMENTS — 2 BDRM: <u>32</u>	SPECIAL CARE: _____
COTTAGES/HOUSES: <u>50</u>	DESCRIPTION: > _____
RLU OCCUPANCY (%) AT YEAR END: <u>99</u>	> _____

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: Prorated to 25%

RANGE OF ENTRANCE FEES: \$ 199,000 - \$ 404,000 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Monitoring, activities, access to assisted living services

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: N/A OTHER: _____

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Resident representative is a non-voting member of the volunteer Board of Directors, receiving all information and attending and participating in all meetings 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	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (___ TIMES/MONTH)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (___/DAY)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input checked="" type="checkbox"/>
EXERCISE ROOM	<input type="checkbox"/>	<input checked="" type="checkbox"/>	APARTMENT MAINTENANCE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NURSING/WELLNESS CLINIC	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input checked="" type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
WORKSHOP	<input checked="" 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: Meadowbrook Village Christian Retirement Community

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

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

PROVIDER NAME: Meadowbrook Village Christian Retirement Community

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	\$1,284,178	\$1,672,689	\$1,861,173	\$2,066,932
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	-\$1,195,684	-\$1,552,611	\$1,730,974	\$2,038,836
NET INCOME FROM OPERATIONS	\$88,494	\$120,078	\$130,199	\$28,098
LESS INTEREST EXPENSE	-\$61,171	\$0	-\$509,754	-\$1,010,829
PLUS CONTRIBUTIONS	\$1,531,269	\$717,762	\$606,385	\$1,003,867
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	-\$125,000	-\$125,000	-\$125,000	-\$125,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	\$1,433,592	\$712,840	\$101,830	-\$28,258
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	\$972,565	\$1,249,727	\$1,277,711	\$865,541

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
Stewardship Foundation	\$29,958,805	2.25%	6/1/05		Varies

FINANCIAL RATIOS (see next page for ratio formulas)

	<u>2013 CCAC Medians 50th Percentile (optional)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
DEBT TO ASSET RATIO		44%	48%	50%
OPERATING RATIO		216%	250%	231%
DEBT SERVICE COVERAGE RATIO			3.36	2.05
DAYS CASH ON HAND RATIO		108	154	194

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>
STUDIO							
ONE BEDROOM	\$604	4.5	\$631	3.2	\$651	15.5	\$752
TWO BEDROOM	\$914	3.0	\$941	3.2	\$971	10.4	\$1076
COTTAGE/HOUSE	\$914	3.0	\$941	3.2	\$971	10.4	\$1076
ASSISTED LIVING	\$914	3.0	\$941	3.2	\$971	10.4	\$1076
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: > The Historical Monthly Service Fees table reflects average fees for new residents.

> Assisted living and other services are provided on a fee-for-service basis.

> The fee increases for 2015 reflected an expansion of the basic, included services.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	\$752/\$1076	\$18.50/Hour	
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	15.5%-10.4%	0%	

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: July 1, 2015
(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: Meadowbrook Village Christian Retirement Community

COMMUNITY: Meadowbrook Village Christian Retirement Community

(5) Explanation for increase in Monthly Service Fees

Meadowbrook increased its monthly fees for singles by \$101 per month and couples by \$105 per month on July 1, 2015. At the end of the reporting period, the monthly cost is \$752.00 for single residents and \$1076.00 for couples. This increase included a regular monthly increase of \$26 for singles and \$30 for couples, as well as a special increase of \$75 for an expanded in-home maintenance program. All current residents were offered the option of either opting in to the expanded program, or opting out. Those who opted out (approximately 10% of our residents) were not assessed the special increase of \$75 per month.

The reasons for the regular fee increase include regular increases in employment and benefit costs, and increases in maintenance costs.