

ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED: December 2022

PROVIDER(S):

Pilgrim Place in Claremont

CCRC(S):

Pilgrim Place in Claremont

PROVIDER CONTACT PERSON:

Audrey Morabito

TELEPHONE NUMBER:

(909) 399-5505

E-MAIL ADDRESS:

amorabito@pilgrimplace.org

A complete annual report must consist of 3 copies of all of the following:

- ☒ Annual Report Checklist.
- ☒ Annual Provider Fee in the amount of: \$18,787
 - ☐ If applicable, late fee in the amount of: \$ _____
- ☒ Certification by the provider's **Chief Executive Officer** that:
 - ☒ The reports are correct to the best of his/her knowledge.
 - ☒ Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - ☒ The provider is maintaining the required liquid reserves and, when applicable, the required refund reserve.
- ☒ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- ☒ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☒ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- ☒ "Continuing Care Retirement Community Disclosure Statement" for **each** community.
- ☒ Form 7-1, "Report on CCRC Monthly Service Fees" for **each** community.
- ☒ Form 9-1, "Calculation of Refund Reserve Amount", if applicable.
- ☒ Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.



PILGRIM PLACE

625 Mayflower Road
Claremont, CA 91711

www.pilgrimplace.org

Tel: (909) 399-5500
Fax: (909) 399-5508

APRIL 21, 2023

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

RE: Chief Executive Officer Certifications

To Whom It May Concern,

This letter shall serve as certification of the following:

- The enclosed reports 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.
- We are maintaining the required liquid reserve as reflected on the enclosed reports.

Warm regards,

Ronald Bolding

Chief Executive Officer

Enclosures



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

12/6/2022

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

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

PRODUCER (WC) Heffernan Insurance Brokers 1350 Carback Avenue Walnut Creek, CA 94596	CONTACT NAME: Stacey Okimoto PHONE (A/C, No, Ext): 925-934-8500 E-MAIL ADDRESS: StaceyO@heffins.com FAX (A/C, No): 925-934-8278
INSURED Pilgrim Place in Claremont Inc 625 Mayflower Road Claremont, CA 91711	INSURER(S) AFFORDING COVERAGE INSURER A: Travelers Casualty and Surety Company of America INSURER B: Nationwide Mutual Insurance Company INSURER C: INSURER D: INSURER E: INSURER F:

COVERAGES**CERTIFICATE NUMBER:** 820457571**REVISION NUMBER:**

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC <input type="checkbox"/> OTHER:						EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input type="checkbox"/> RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> Y / N (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		N/A				PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
B A	EMPLOYEE DISHONESTY ERISA			ACP3067955840 106987508	12/1/2022 9/27/2021	12/1/2023 9/27/2024	PER OCCUR/DED COVERAGE \$500,000/\$5,000 \$500,000

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

Named Insured Includes Pilgrim Place in Claremont, Inc. 403(b) Plan
Re: As Per Contract or Agreement on File with Insured.

CERTIFICATE HOLDER**CANCELLATION**

Office of Statewide Health Planning & Development
Cal-Mortgage Loan Insurance Division
2020 El Camino Ave. Suite 1231
Sacramento, CA 95833

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

AUTHORIZED REPRESENTATIVE

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PILGRIM PLACE IN CLAREMONT

**Financial Statements for the
Years Ended December 31, 2022 and 2021
and
Independent Auditors' Report**



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

PILGRIM PLACE IN CLAREMONT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pilgrim Place in Claremont

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Pilgrim Place in Claremont (Pilgrim Place), a California nonprofit corporation, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of operations, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pilgrim Place as of December 31, 2022 and 2021, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pilgrim Place and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pilgrim Place's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

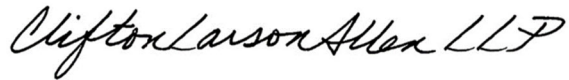
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance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

Board of Directors
Pilgrim Place in Claremont

In performing an audit in accordance with GAAS, we:

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

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



CliftonLarsonAllen LLP

Glendora, California
April 19, 2023

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and money market funds	\$ 5,000,753	\$ 8,461,282
Cash with trustee - bond principal and interest funds	994,464	961,328
Accounts receivable	1,219,874	1,008,000
Inventories	18,408	14,532
Prepaid expenses	486,410	432,632
Total Current Assets	<u>7,719,909</u>	<u>10,877,774</u>
Non-Current Assets:		
Cash with trustee - bond debt service reserve fund and project fund	1,117,575	1,165,724
Charitable remainder trusts (Note 3)	40,768	40,768
Investments (Note 4)	5,068,424	6,109,766
Restricted investments (Note 4)	10,697,064	13,609,645
Property, plant and equipment, net (Note 5)	50,665,383	50,451,270
Total Non-Current Assets	<u>67,589,214</u>	<u>71,377,173</u>
Total Assets	<u>\$ 75,309,123</u>	<u>\$ 82,254,947</u>
Liabilities		
Current Liabilities:		
Accounts payable	\$ 914,189	\$ 684,650
Salaries and benefits payable	1,049,040	993,121
Current portion Insured Senior Living Revenue Bonds (Note 8)	845,000	810,000
Current portion deferred revenue entrance fees	-	186,318
Deferred revenue other	-	379,399
Deposits and deferred revenue	544,576	1,844,040
Total Current Liabilities	<u>3,352,805</u>	<u>4,897,528</u>
Non-Current Liabilities		
Insured Senior Living Revenue Bonds (Note 8)	30,482,740	31,301,034
Annuities payable	351,916	379,933
Deferred revenue entrance fees	8,776,118	7,880,689
Deferred repayment entrance fees	3,616,515	3,616,515
Deferred revenue capital giving	2,863	5,248
Total Non-Current Liabilities	<u>43,230,152</u>	<u>43,183,419</u>
Total Liabilities	<u>46,582,957</u>	<u>48,080,947</u>
Net Assets		
Without donor restrictions	14,068,907	16,541,529
With donor restrictions (Note 9)	14,657,259	17,632,471
Total Net Assets	<u>28,726,166</u>	<u>34,174,000</u>
Total Liabilities and Net Assets	<u>\$ 75,309,123</u>	<u>\$ 82,254,947</u>

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

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenues		
Independent living	\$ 8,030,548	\$ 7,501,443
Assisted living	2,188,271	1,954,469
Memory Care	282,372	-
Skilled nursing, net (Note 11)	6,546,546	7,031,174
Entrance fees - program	3,769,569	3,080,401
Other income - program	111,575	88,667
Net assets released from restrictions -		
Resident health and support programs supplements	981,522	701,723
Memory care	-	360,644
Contributions - designated	207,607	5,410
Annual giving - designated	110,139	120,309
Total Operating Revenues	22,228,149	20,844,240
Operating Expenses		
Independent living	3,752,802	3,286,501
Assisted living and memory care	2,573,715	2,296,982
Memory care	713,966	391,382
Skilled nursing	8,247,138	7,539,625
General and administrative	2,043,550	2,051,582
Interest	1,453,911	1,467,148
Plant operations and maintenance	2,069,377	2,226,921
Advancement	530,484	468,526
Total Operating Expenses Before Depreciation	21,384,943	19,728,667
Operating Income Before Depreciation and Other Revenue	843,206	1,115,573
Depreciation expense	3,000,616	2,787,003
Operating Loss	(2,157,410)	(1,671,430)
Other Revenues, Expenses, Gains and Losses		
Annual giving - undesignated	157,696	160,629
Undesignated Bequests	250	-
Investment returns, net	93,521	36,649
Realized and unrealized investment gains	(1,138,690)	805,757
Amortization of deferred revenue from capital gifts	2,385	3,106
COVID-19 - Provider Relief Fund Grant	379,399	669,751
COVID-19 - Employee Retention Credit	-	286,544
Gifts - other capital projects and housing agreements	190,226	242,554
Allocation to Napier Endowment	-	(78,085)
Miscellaneous - Annuity Adjustment	-	(20,189)
Net assets released from restrictions -		
Board allocation from Endowment	-	37,276
Total Other Revenues, Expenses, Gains and Losses	(315,213)	2,143,992
Excess of Revenue Over Expenses and		
Change in Net Assets Without Donor Restrictions	\$ (2,472,623)	\$ 472,562

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

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF CHANGES IN NET ASSETS

For the Years Ended December 31, 2022 and 2021

	2022	2021
Net Assets Without Donor Restrictions		
Operating losses	\$ (2,157,410)	\$ (1,671,430)
Other revenues, gains	(315,213)	2,143,992
Change in Net Assets Without Donor Restrictions	<u>(2,472,623)</u>	<u>472,562</u>
Net Assets With Donor Restrictions		
Annual residents' festival - net revenue	143,603	201,246
Contributions	543,359	1,393,658
Investment returns, net	81,885	113,827
Realized and unrealized investment gains	(2,664,111)	1,578,545
Present value adjustment of gift annuities payable	(102,228)	93,025
Matured gift annuities	3,802	-
Net assets released from restrictions -		
Resident health and support programs supplements	(561,875)	(488,999)
Resident health and support programs supplements - board allocation	(419,647)	(212,724)
Board allocation from Endowment - other purposes	-	(37,276)
Memory care	-	(360,644)
Change in Net Assets With Donor Restrictions	<u>(2,975,212)</u>	<u>2,280,658</u>
Change in Net Assets	(5,447,835)	2,753,220
Net Assets, Beginning of Year	<u>34,174,001</u>	<u>31,420,781</u>
Net Assets, End of Year	<u><u>\$ 28,726,166</u></u>	<u><u>\$ 34,174,001</u></u>

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

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Services					Supporting Services				Total Expenses 2022
	Independent Living	Assisted Living	Memory Care	Skilled Nursing	Total Program Services	General Administration	Plant Operations & Maintenance	Advancement	Total Supporting Services	
Salaries and wages	\$ 1,769,184	\$ 1,209,405	\$ 505,487	\$ 4,051,966	\$ 7,536,042	\$ 1,248,520	\$ 776,340	\$ 241,313	\$ 2,266,173	\$ 9,802,215
COVID-19 overtime	-	-	-	-	-	-	-	416	416	416
COVID-19 salaries and wages	8,157	3,054	2,643	40,345	54,199	2,770	11,541	-	14,311	68,510
Pension	27,391	20,083	1,769	104,145	153,388	36,374	31,341	7,225	74,940	228,328
Employee benefits	370,485	263,659	81,153	725,794	1,441,091	144,271	286,287	24,588	455,146	1,896,237
Payroll taxes	143,203	90,733	38,360	313,462	585,758	84,426	88,363	32,311	205,100	790,858
Accounting fees	-	-	-	-	-	70,565	-	-	70,565	70,565
Conferences and meetings	-	1,492	-	1,697	3,189	(8,913)	-	-	(8,913)	(5,724)
Contract services and food	334,673	581,156	49,257	938,808	1,903,894	-	-	-	-	1,903,894
COVID-19 direct expenses	95,902	-	-	-	95,902	-	-	-	-	95,902
Dues, licenses and taxes	1,615	11,577	-	115,465	128,657	81,036	2,975	6,235	90,246	218,903
Employment advertising	-	-	-	-	-	32,354	-	32,500	64,854	64,854
Equipment rental	7,578	9,292	-	21,681	38,551	15,702	9,292	-	24,994	63,545
Insurance	259,586	43,619	-	79,791	382,996	-	42,555	-	42,555	425,551
Legal fees	-	-	-	2,451	2,451	-	-	-	-	2,451
Medical supplies and equipment	-	16,404	-	171,178	187,582	-	-	-	-	187,582
Postage	-	-	-	-	-	11,487	-	409	11,896	11,896
Printing	1,480	-	-	564	2,044	(462)	-	15,849	15,387	17,431
Professional services	-	-	4,676	937,764	942,440	18,270	-	-	18,270	960,710
Public relations	-	9,813	998	21,421	32,232	57,321	-	17,591	74,912	107,144
Purchased services	240,928	100,746	4,552	258,541	604,767	176,274	556,981	62,974	796,229	1,400,996
Repairs and maintenance	140,862	50,560	5,806	39,289	236,517	1,545	112,704	-	114,249	350,766
Resident activities	20,455	-	-	-	20,455	-	-	-	-	20,455
Staff development	-	1,382	2,310	3,380	7,072	1,685	-	380	2,065	9,137
Supplies and equipment	120,109	50,259	13,511	101,858	285,737	16,065	62,513	3,308	81,886	367,623
Telephone	15,977	10,269	-	37,603	63,849	24,889	15,771	-	40,660	104,509
Travel	992	123	-	185	1,300	839	9,650	-	10,489	11,789
Utilities	190,440	99,249	2,869	263,344	555,902	20,720	63,064	-	83,784	639,686
Miscellaneous expenses	3,785	840	575	16,406	21,606	7,812	-	85,385	93,197	114,803
Total expense before interest and depreciation	3,752,802	2,573,715	713,966	8,247,138	15,287,621	2,043,550	2,069,377	530,484	4,643,411	19,931,032
Interest External	-	-	-	-	-	1,412,950	-	-	1,412,950	1,412,950
Interest Internal	-	-	-	40,961	40,961	-	-	-	-	40,961
Total Interest	-	-	-	40,961	40,961	1,412,950	-	-	1,412,950	1,453,911
Depreciation	2,541,338	-	-	419,266	2,960,604	-	40,012	-	40,012	3,000,616
Total Expenses	\$ 6,294,140	\$ 2,573,715	\$ 713,966	\$ 8,707,365	\$ 18,289,186	\$ 3,456,500	\$ 2,109,389	\$ 530,484	\$ 6,096,373	\$ 24,385,559

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

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Program Services					Supporting Services				Total Expenses 2021
	Independent Living	Assisted Living and Memory Care	Memory Care	Skilled Nursing	Total Program Services	General Administration	Plant Operations & Maintenance	Advancement	Total Supporting Services	
Salaries and wages	\$ 1,406,913	\$ 981,155	\$ 313,435	\$ 3,875,640	\$ 6,577,143	\$ 1,239,480	\$ 1,082,915	\$ 294,936	\$ 2,617,331	\$ 9,194,474
COVID-19 overtime	-	121	-	-	121	-	-	592	592	713
COVID-19 salaries and wages	17,847	73,459	2,553	218,518	312,377	3,950	22,839	-	26,789	339,166
Pension	22,509	18,234	551	100,298	141,592	37,092	28,668	8,793	74,553	216,145
Employee benefits	303,097	228,574	29,458	618,139	1,179,268	132,008	255,595	30,879	418,482	1,597,750
Payroll taxes	123,264	81,399	20,667	299,982	525,312	81,864	90,628	23,785	196,277	721,589
Accounting fees	-	-	-	-	-	67,073	-	-	67,073	67,073
Beauty shop	-	-	-	4,691	4,691	-	-	-	-	4,691
Conferences and meetings	-	-	-	796	796	36,412	-	213	36,625	37,421
Contract services and food	233,273	613,735	-	945,610	1,792,618	-	-	-	-	1,792,618
COVID-19 direct expenses	236,514	-	-	-	236,514	-	-	-	-	236,514
Dues, licenses and taxes	1,318	8,536	-	90,045	99,899	39,907	418	9,290	49,615	149,514
Employment advertising	-	-	-	41,250	41,250	26,034	-	-	26,034	67,284
Equipment rental	6,287	7,566	-	17,654	31,507	16,386	7,775	-	24,161	55,668
Insurance	241,824	40,441	-	73,978	356,243	523	39,455	-	39,978	396,221
Legal fees	-	-	-	4,499	4,499	14,786	-	-	14,786	19,285
Medical supplies and equipment	-	11,574	-	148,306	159,881	-	-	-	-	159,881
Postage	-	-	-	4	4	10,202	-	814	11,016	11,020
Printing	426	113	-	170	709	1,517	80	13,777	15,374	16,083
Professional services	-	-	-	296,406	296,406	13,020	-	-	13,020	309,426
Public relations	-	9,381	402	11,334	21,117	48,474	-	17,985	66,459	87,576
Purchased services	232,772	38,647	5,823	315,794	593,037	217,542	519,000	33,544	770,086	1,363,123
Repairs and maintenance	120,610	28,701	-	43,083	192,393	2,691	39,238	-	41,929	234,322
Resident activities	17,493	-	-	-	17,493	-	-	-	-	17,493
Staff development	-	398	1,890	2,069	4,357	1,932	-	-	1,932	6,289
Supplies and equipment	104,796	45,374	13,203	135,583	298,956	17,641	73,850	2,873	94,364	393,320
Telephone	14,949	8,915	-	33,763	57,628	21,762	13,987	-	35,749	93,377
Travel	818	-	730	175	1,724	300	5,408	-	5,708	7,432
Utilities	194,538	99,565	2,615	255,286	552,005	16,585	46,275	-	62,860	614,865
Miscellaneous expenses	7,253	1,093	55	6,549	14,950	4,402	790	31,044	36,236	51,186
Total expense before interest and depreciation	3,286,501	2,296,982	391,383	7,539,624	13,514,490	2,051,583	2,226,921	468,525	4,747,029	18,261,519
Interest External	-	-	-	-	-	1,455,689	-	-	1,455,689	1,455,689
Interest Internal	-	201	-	11,258	11,459	-	-	-	-	11,459
Total Interest	-	201	-	11,258	11,459	1,455,689	-	-	1,455,689	1,467,148
Depreciation	2,222,876	-	-	419,241	2,642,117	-	144,886	-	144,886	2,787,003
Total Expenses	\$ 5,509,377	\$ 2,297,183	\$ 391,383	\$ 7,970,123	\$ 16,168,066	\$ 3,507,272	\$ 2,371,807	\$ 468,525	\$ 6,347,604	\$ 22,515,670

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

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Cash received from resident fees	\$ 12,977,885	\$ 12,151,630
Cash received from community fees	4,142,190	4,393,104
Cash received from entrance fees	4,478,680	3,654,434
Cash received from other operating activities	143,603	174,972
Contributions	638,834	1,191,710
Investment income received	93,521	36,649
Interest payments	(1,439,442)	(1,407,100)
Cash paid to suppliers and employees	(21,001,555)	(16,303,683)
Net cash provided by operating activities	<u>33,716</u>	<u>3,891,716</u>
Cash Flows from Investing Activities		
Purchase of investments	(305,405)	(768,622)
Reinvested interest earnings	(257,851)	(344,440)
Proceeds from sale of investments	651,416	494,861
Acquisition of property and equipment	(3,214,730)	(3,893,671)
Net cash used by investing activities	<u>(3,126,570)</u>	<u>(4,511,872)</u>
Cash Flows From Capital and Other Financing Activities		
Payment on insured senior living revenue bonds	(810,000)	(780,000)
Payments on annuity obligations	(67,283)	(69,497)
Proceeds (payments) from contributions restricted for:		
Investment in plant - housing agreements	209,460	228,740
Contributions for endowment	285,135	628,914
Net cash provided(used) by capital and related financing activities	<u>(382,688)</u>	<u>8,157</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	(3,475,542)	(611,999)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>10,588,334</u>	<u>11,200,333</u>
Cash, Cash Equivalents, and Restricted Cash - End of Year	<u>\$ 7,112,792</u>	<u>\$ 10,588,334</u>

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

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Provided by Operating Activities		
Change in net assets	\$ (5,447,835)	\$ 2,753,220
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Actuarial adjustment of annuity obligation	102,228	(93,025)
Amortization of capitalized fees	87,073	87,072
Amortization of bond premium	(60,367)	(60,367)
Amortization of deferred revenue from capital gifts	(2,385)	(3,106)
Amortization of entrance fees	(3,769,569)	(3,080,401)
Contributions restricted for long term purposes	(475,360)	(871,468)
Depreciation expense	3,000,616	2,787,003
Realized and unrealized loss on investments	3,802,801	(2,322,994)
Changes in operating assets and liabilities:		
Accounts receivable	(231,107)	(261,007)
Pledges receivable	-	-
Inventory	(3,876)	(332)
Prepaid expense	(53,778)	9,375
Accounts payable	229,539	76,427
Salaries and benefits payable	55,919	100,405
Deposits and deferred revenue	3,179,216	4,691,516
COVID deferred Revenue	(379,399)	79,398
Net cash provided by operating activities	<u>\$ 33,716</u>	<u>\$ 3,891,716</u>
 Cash and money market funds		
Cash and money market funds	\$ 4,882,494	\$ 8,414,493
Restricted cash and money market funds	118,259	46,789
Total cash and money market funds	<u>5,000,753</u>	<u>8,461,282</u>
Cash with trustee - bond principal and interest funds	<u>994,464</u>	<u>961,328</u>
Cash with trustee - bond debt service reserve fund and project fund		
Cash with trustee - bond debt service reserve fund	1,117,575	1,114,341
Cash with trustee - bond project fund	-	51,383
Total cash with trustee - bond debt service reserve fund and project fund	<u>1,117,575</u>	<u>1,165,724</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 7,112,792</u>	<u>\$ 10,588,334</u>

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

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Pilgrim Place in Claremont (Pilgrim Place) was incorporated in 1915 as a nonprofit corporation described in Section 501(c)(3) of the Internal Revenue Code (IRC), for the purpose of maintaining a home for persons who have served in careers in charitable nonprofit organizations. Pilgrim Place is exempt from federal income taxes under IRC Section 501(a) and contributions to Pilgrim Place qualify as deductible charitable contributions for income tax purposes under IRC Section 170(a)(viii). Pilgrim Place is exempt from state franchise taxes under similar provisions from the State of California. Pilgrim Place operates a residential retirement facility located in Claremont, California which provides housing and related services to approximately 331 residents under Care and Residence Agreements.

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Board Designated Amounts – The Board of Directors has designated certain net assets without donor restricted amounts which are recorded in the Undesignated Endowment Fund. These amounts are included in cash, money market funds and investments and totaled \$3,983,358 and \$5,085,064 as of December 31, 2022 and 2021, respectively. In as much as these amounts have no donor restrictions, the Board may undesignate these amounts at any time.

Split-Interest Agreements – Pilgrim Place has gift annuities and charitable remainder trusts. The terms and discount rates for these agreements are based upon the life expectancy of the donor(s) and present value tables provided by the Internal Revenue Service for determining the amount of the charitable contribution. Gift annuity contracts are a general liability of Pilgrim Place and are not limited to the assets in the separate fund. The actuarially determined liability is calculated annually and is adjusted accordingly. As a qualifying nonprofit corporation, Pilgrim Place is authorized by the State of California to issue gift annuity contracts and is accordingly subject to applicable State laws and regulations. Under these laws, Pilgrim Place has met the legal reserve requirement. The charitable remainder trusts are administered by a third-party. Assets associated with the split-interest agreements are recognized at fair market value.

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Excess of Revenues Over Expenses – The statement of operations includes excess of revenues over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include transfers of assets to and from affiliates for other than goods and services, unrealized gains and loss on debt securities, and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purpose of acquiring such assets).

Operating Reserve Ratio – Operating Reserve Ratio (Days Cash on Hand) is used to measure organizational security and liquidity. It is indicative of how long an entity can continue its operations without any revenue coming in to fund the operations. For the years ended December 31, 2022 and 2021, Days Cash on Hand was 173 days and 271 days, respectively.

Cash and Cash Equivalents – Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Restricted Cash and Cash Equivalents – Includes cash and cash equivalents from funds received with donor restrictions and cash held for funds raised for a specific purpose from the annual Festival event.

Cash with Trustee - Bonds – Cash with Trustee – Bonds consists of a reserve fund, debt service reserve fund and amounts held in trust for bond proceeds designated for acquisition or construction of noncurrent assets. A reserve fund was established to make any principal and interest payments if a shortage occurs in the required payments. The debt service reserve fund is pledged to the payment of the loan repayments and to secure the payments of the principal or the interest on the bonds and parity debt.

Inventory – Inventory consists of office supplies and is valued at cost on the first in/first out basis.

Accounts and Pledges Receivable – Accounts receivable represent amounts due from residents and third-party payors such as Medi-Cal and Medicare for services provided. Unconditional promises to give are recorded at fair value using present value techniques at a 2.5% discount rate. Amortization of the discount is included in contribution revenue.

Management has reviewed the collectability of accounts and pledges receivable and has determined the balances to be fully collectable. A plan to regularly evaluate accounts and pledges receivable and the potential collectability is in place and reviewed throughout the year.

Investments – Investments in marketable securities with readily determinable fair values and all

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

investments in debt securities are reported at their fair values in the statement of financial position (see Note 4).

Realized gains and losses on dispositions are based on the net proceeds and the adjusted carrying value of the securities sold. Unrealized gains and losses represent the net change in fair value of the securities and are recorded as an increase or decrease to net assets.

Concentration of Credit Risk

Financial Instruments and Credit Risk – Pilgrim Place manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, Pilgrim Place has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and pledges receivable is considered to be limited due to high historical collection rates and donors supportive of Pilgrim Place's mission. Investments are made by diversified investment managers whose performance is monitored by the Pilgrim Place. Although the fair values of investments are subject to fluctuation on a year-to-year basis, Pilgrim Place believes that the investment policies and guidelines are prudent for the long-term welfare of Pilgrim Place.

Deposits – Custodial credit risk is the risk that in the event of a bank failure, Pilgrim Place's deposits may not be returned to them. Pilgrim Place has a need to maintain cash balances in excess of \$250,000, the amount insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2022 and 2021, Pilgrim Place had cash balances in various financial institutions that exceed the FDIC limit by \$3,944,900 and \$7,446,468, respectively.

Investments – Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 of which \$250,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against declines in market valuation. As of December 31, 2022, Pilgrim Place had investments in excess of the SIPC insurance amount. Pilgrim Place followed established policies in directing and monitoring the investment management of Pilgrim Place's investments during the year.

Property and Equipment – Property and equipment are stated at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. For equipment, Pilgrim Place's capitalization policy includes all items with a unit cost of \$1,000 or more and an estimated useful life of greater than five years. Renovation projects with small individual job costs with a cumulative total exceeding \$1,000 are also capitalized if they benefit future periods. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Depreciation is computed on the straight-line method based on the useful lives herein.

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Land Improvements	20-50 years
Buildings and improvements	10-50 years
Furniture and equipment	5-20 years

Museum Collection – The Museum collection includes paintings and fine and decorative art objects. All items in the collection are deemed inexhaustible assets and therefore are not depreciated. According to Museum policy, any proceeds from the sale of the collection items will be reinvested in other collection items.

Deferred Revenue and Repayment from Entrance Fees – Entrance fees paid by a resident upon entering into a Classic Care and Residence Agreement are recorded as deferred revenue and amortized. Under this type of resident agreement, the full amount of the entrance fee is refundable if a resident leaves Pilgrim Place within the first 90 days after entering; otherwise the remaining unamortized entrance fee is refunded if a resident leaves. Unamortized entrance fees for this residence agreement type are \$8,776,119 and \$7,856,157 as of December 31, 2022 and 2021, respectively and \$6,576,437 as of December 31, 2020.

Entrance fees paid by a resident upon entering into a 90% Deferred Repayment Care and Residence Agreement are recorded as deferred revenue with 10% of the fee amortized. Under this type of resident agreement the full amount of the entrance fee is refundable if a resident leaves Pilgrim Place within the first 90 days after entering; otherwise 90% of the entrance fee is refunded if the resident leaves. This refundable portion is recorded as deferred repayment entrance fees and totaled \$3,616,515 as of December 31, 2022 and 2021. Unamortized entrance fees on the 10% portion totaled \$0 as of December 31, 2022 and 2021. Effective December 1, 2016 the 90% term was replaced with a 50% term. The guidelines are the same, except at 50%. Unamortized entrance fees on the 50% portion totaled \$0 and \$24,532 and as of December 31, 2022 and 2021, respectively.

Pilgrim Place does not guarantee care for life and the agreements described above are not considered life care contracts. Entrance fees received are substantially used for deferred maintenance and capital expenditures within the first one to four years of residency; therefore, entrance fees for Classic Care and Residence Agreements are amortized to income over 50 months.

Management believes the estimated amount of entrance fees that are expected to be refunding to current residents from the terms of these agreements was \$0 and \$186,318 for the years ended December 31, 2022 and 2021, respectively. A provision for the liability has been reported separately.

Charity Care – At any given time, approximately 10% to 15% of residents lack the resources to provide for their daily needs. Historically, lifetime service to religious or charitable nonprofit organizations has meant financial sacrifice for many residents. Together they built churches, ministered to the needy, visited the sick and supported their communities. Their need for care is a direct result of their lifetime of service to others and the world.

Services were provided to residents with a demonstrated inability to pay through the Resident

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Health and Support Program. Funds released from net assets from gifts to subsidize this program were \$981,522 and \$701,723 for the years ended December 31, 2022 and 2021, respectively. The subsidy reported for this program does not meet the accounting standards definition of charity care; therefore, costs associated with this program have not been estimated.

Deferred Revenue from Capital Gifts – Prior to 2003, Pilgrim Place issued rental credits to those residents who had paid for authorized improvements of more than \$5,000 or who completely paid for the construction of a new unit. The present value of estimated future rental credits was calculated and recorded as deferred revenue. Amounts received from residents exceeding this amount were recorded as donated property. Deferred revenue resulting from these gifts is amortized over the remaining life expectancy of the residents, beginning at the date of completion. Effective in 2003, rental credits are no longer issued on the builder/donor projects and amounts received from residents for authorized improvements and construction of new units are recorded as capital gifts in the year received.

Deferred Revenue – Other – Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total grant funds approved and received by Pilgrim Place were \$1,425,528. The PRF's were subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. At December 31, 2022, Pilgrim Place recognized \$379,999 as other revenue in the statement of operations and \$-0- as deferred revenue in the statement of net position. At December 31, 2021, Pilgrim Place recognized \$669,751 as other revenue in the statement of operations and \$379,399 as deferred revenue in the statement of net position. Management believes the amounts have been recognized appropriately as of December 31, 2022 and 2021.

Obligation to Provide Future Services – Pilgrim Place annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the future cash inflows from monthly fees and the balance of deferred revenue from advance fees. If the estimated present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability will be recorded. For the years ended December 31, 2022 and 2021, the calculation resulted in no future service liability. The interest rate used for both years was 5.0%, based on the expected long-term rate of return on governmental obligations.

Pilgrim Place estimates the cost of future services and the use of facilities in calculating the future obligation. The estimated amount of the obligation is based on actuarial assumptions such as life expectancy, projected future monthly resident fees, projected future operating costs and estimated future inflation rates. The inflation rate used for the years ended December 31, 2022 and 2021 were 3.5% and 3.0%, respectively. It is anticipated that actual results may differ from those estimates.

Net Patient Service Revenue – Pilgrim Place has agreements with third-party payors that provide for payments to Pilgrim Place at amounts different from its established rates. Payment

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Contributions and Donor-Restricted Gifts – Contributions, including unconditional promises to give, are recognized as revenues in the period the contribution or unconditional promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

The gifts are reported as net assets with donor restriction if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. When a donor's restriction is met within the same year as the donation, the donation is reported as net assets without donor restriction.

Functional Allocations of Expenses – The costs of providing the various programs and support services have been summarized on a functional basis in the statement of operations. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – Pilgrim Place has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to Pilgrim Place's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

Pilgrim Place files informational returns in the U.S. federal jurisdiction and the state of California. With few exceptions, Pilgrim Place is no longer subject to U.S. federal and state examinations by tax authorities generally after three and four years, respectively.

Litigation – Pilgrim Place is, from time to time, subject to litigation and claims arising in the normal course of business. In the opinion of management, the ultimate resolution of legal proceedings will not have a material adverse effect on Pilgrim Place's financial statements.

Subsequent Events – Subsequent events were evaluated through April 19, 2023, which is the date the financial statements were available to be issued.

New Accounting Pronouncement Adopted in the Current Accounting Period - Pilgrim Place has adopted the Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB has issued this ASU to improve the

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The amendments do not change the recognition and measurement of nonfinancial assets. There was no material impact on Pilgrim Place's financial position and changes in net assets upon adoption of the new standard as there were no nonfinancial assets requiring recognition during fiscal year ended December 31, 2022 or 2021.

NOTE 2: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2022	2021
Cash and money market funds	\$ 5,000,753	\$ 8,461,282
Minus restricted cash and money market funds	(118,259)	(46,789)
Cash with trustee - bond principal and interest funds	994,464	961,328
Accounts receivable	1,219,874	1,008,000
Inventories	18,408	14,532
Total liquid assets available for operations	<u>\$ 7,115,240</u>	<u>\$ 10,398,353</u>

The endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$3,983,358 and \$5,085,064 as of December 31, 2022 and 2021, respectively, is subject to an annual spending rate of 5% as described in Note 10. Although Pilgrim Place does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

As part of the Pilgrim Place liquidity management plan, cash is invested in excess of daily requirements in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$2,592,290 and \$4,586,679, as of December 31, 2022 and 2021, respectively.

NOTE 3: SPLIT INTEREST AGREEMENTS

Gift Annuities – Pilgrim Place sponsors a charitable gift annuity program as part of its fund raising activities. All amounts received in exchange for these annuity contracts are segregated for investment in a separate fund. At December 31, 2022 and 2021, respectively, Pilgrim Place managed a total of \$478,781 and \$609,027 in assets under this program. Management has interpreted the agreements to require investment of the entire contract amount until the

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 3: SPLIT INTEREST AGREEMENTS

annuitant dies. All required payments to annuitants are made from this separate fund. At the time of death of the annuitant, the residuum is distributed from this fund to the designated net asset class as specified by the annuitant at the time the agreement was issued. If no designation was made, the residuum is distributed to the net assets without donor restricted.

Charitable Remainder Trust – Pilgrim Place is the beneficiary of two charitable remainder trust agreements (the Trusts). The Trusts are irrevocable and the beneficiary designation may not be changed. The Trusts are reported at fair value determined based on the present value of the net proceeds that are expected to be available to Pilgrim Place at the Trusts' maturity dates, discounted using Pilgrim Place's 10-year U.S. Treasury Bill rate over the periods until the estimated maturity dates. The contribution revenue is recorded in the statements of changes in net assets. The irrevocable portion of these Trusts at December 31, 2022 and 2021 amounted to \$40,768 for both years. The contribution will be collected after the contributor's death. Pilgrim Place classifies all receivables related to charitable remainder trusts as net assets with donor restrictions.

NOTE 4: INVESTMENTS

The following is a schedule of aggregate cost and fair values for Pilgrim Place's marketable securities. Investments are segregated into two portfolios. One portfolio is for gift annuity investments. The other portfolio is for Board designated, endowment and specific purpose resources.

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
General Fund:				
Equity funds (Level 1)	\$ 85,729	\$ 111,528	\$ 82,591	\$ 129,402
Land	45,000	45,000	45,000	45,000
	<u>130,729</u>	<u>156,528</u>	<u>127,591</u>	<u>174,402</u>
Gift Annuity Fund:				
Cash and cash equivalents	19,665	19,665	9,874	9,874
Equity funds (Level 1)	136,137	272,662	162,257	386,740
Fixed Income (Level 1)	189,888	186,454	214,454	212,413
	<u>345,690</u>	<u>478,781</u>	<u>386,585</u>	<u>609,027</u>
Endowment Fund:				
Cash and cash equivalents	484,175	484,175	694,877	697,436
Equity funds (Level 1)	6,169,780	6,967,754	8,829,989	14,161,798
Fixed Income (Level 1)	339,101	304,554	332,442	336,920
Fixed Income (Level 2)	6,526,145	6,381,671	2,846,041	2,889,977
Limited Partnership (Net Asset Value)	571,000	753,405	412,474	412,474
Other Assets (Level 1)	247,514	238,620	279,565	437,377
	<u>14,337,715</u>	<u>15,130,179</u>	<u>13,395,388</u>	<u>18,935,982</u>
Total investments	<u>\$ 14,814,134</u>	<u>\$ 15,765,488</u>	<u>\$ 13,909,564</u>	<u>\$ 19,719,411</u>

Levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 4: INVESTMENTS

Level 1 - quoted prices in an active market for identical assets.

Level 2 - quoted prices for similar assets and market-corroborated inputs.

Level 3 - Pilgrim Place's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

Land – The fair value of land is the 2004 appraised value at the time received; therefore, no level has been assigned. Pilgrim Place intends to hold the land as a long-term investment and has not obtained a more recent appraisal.

Limited Partnership – Investments that are measured at fair value using the net asset value per share (or its equivalent practical expedient have not been classified in the fair -value hierarchy. This class includes a fund invested in clean energy, information technology, sustainable products and services, and healthcare. The fair values of the investments in this class have been estimated using the net asset value of Pilgrim Place's ownership interest in the partners' capital. These investments cannot be redeemed, however distributions from the fund will be made 90 days after the close of each fiscal year for mandatory tax distributions and quarterly for nontax distributions for profits received from idle funds under certain conditions. The partnership will continue until August 11, 2030, unless terminated sooner or extended in accordance with the limited partnership agreement. Pilgrim Place had an unfunded commitment at December 31, 2022 and 2021 of \$670,500 and \$913,750, respectively. In addition, subsequent to December 31, 2022 a capital contribution of \$4,909 is due and payable by April 20, 2023.

Investment Return – Investment return and a schedule of net realized and unrealized gains for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Investment return, net of expenses of \$197,780 and \$191,797, respectively	\$ 175,406	\$ 150,476
Net realized and unrealized gain (loss):		
Opportunity fund	-	28,012
Gift Annuity fund	(55,358)	118,240
Endowment and Specific Purpose Funds	(3,802,801)	2,356,290

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

No capitalized interest was included in construction in progress for December 31, 2022 and 2021. Depreciation expense for the years ended December 31, 2022 and 2021 was \$3,000,616 and \$2,787,003, respectively.

A summary of property and equipment at December 31, 2022 and 2021 follows:

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

	2022	2021
Capital assets not being depreciated:		
Land *	\$ 1,529,334	\$ 1,529,334
Museum collection	490,988	490,988
Construction in progress	659,400	2,132,685
Total capital assets not being depreciated	<u>2,679,722</u>	<u>4,153,007</u>
Capital assets being depreciated:		
Permanent grounds improvement	1,112,635	1,112,635
Housing and central plant	85,490,133	82,234,368
Equipment	8,714,083	7,281,834
Total capital assets being depreciated	<u>95,316,851</u>	<u>90,628,837</u>
Less accumulated depreciation	<u>(47,331,190)</u>	<u>(44,330,574)</u>
Depreciable assets, net	<u>47,985,661</u>	<u>46,298,263</u>
Property, plant and equipment, net	<u>\$ 50,665,383</u>	<u>\$ 50,451,270</u>

* Land includes \$463,374 in idle real property held for sale. Refer to Note 15.

NOTE 6: INTER-FUND BORROWING

Pitzer Expansion Project – The General Fund borrowed \$1,000,000 during 1998, from the Endowment Fund to fund the Pitzer Expansion Project. The note was originally payable over a 25-year term and bared interest at a variable rate based upon a 5-year treasury note yield as of each July 31st. Interest was due quarterly upon completion of the project beginning September 1999. A final payment of \$131,924 was made during 2021.

Health Service Center Project – The General Fund borrowed \$1,750,000 during 2004 and \$1,550,000 during 2006 from the Endowment Fund to fund the Health Service Center Project. The note was originally payable over a 10-year term and bears interest at a variable rate starting at a rate of 4.0% based upon a 5-year treasury note yield. Interest is due quarterly beginning March 2008 upon the completion of the project. Due to cash flow priorities, principal payments were deferred until 2021. Payments of \$43,297 and \$252,235, were made in 2022 and 2021, respectively. The Board of Directors has determined that future capital contributions to the private equity investment will be used to pay down this note. In addition, other excess revenue may be designated for future repayment. The outstanding balance at December 31, 2022 and 2021 was \$2,736,468 and \$2,779,765.

There was no accrued interest payable to the Endowment Fund for the years ended December 31, 2022 or 2021.

Inter-fund Borrowing Elimination – Inter-fund borrowing transactions are not reflected in the financial statements as accounting principles generally accepted in the United States of America require inter-fund activity to be eliminated. For 2022 and 2021, outstanding balances on inter-fund borrowing totaling \$2,736,468 and \$2,779,765, respectively, were eliminated. However, reported in the statements of operations and statements of changes in net assets are the transactions that occur between in net assets with and without donor restrictions. The

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 6: INTER-FUND BORROWING

allocation of interest expense on restricted endowment borrowing is recognized in expense for the assisted living and skilled nursing program services reported in the schedule of functional expenses, while investment income is recognized in net assets with donor restrictions activities.

NOTE 7: RETIREMENT PLAN

Pilgrim Place sponsors a Section 403(b) Retirement Savings Plan (the Plan), a defined-contribution plan, for its employees. Full-time employees who are at least 18 years of age are eligible to participate. Employees may contribute up to a maximum of \$18,000 of their gross pay as a salary deferral based on age restrictions. Pilgrim Place matches 62.5% of the employee's contribution, not to exceed 3.75% of the employee's compensation. Amounts incurred by Pilgrim Place for matching contributions totaled \$228,328 and \$216,144 for the years ended December 31, 2022 and 2021, respectively. The present value of the related vested benefits is not reflected in these financial statements as Pilgrim Place is not obligated for the administration or payment of benefits of the plan.

The Plan is administered by The Standard. In accordance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, a limited scope audit is performed annually. Separate financial statements for the Plan can be obtained through Pilgrim Place.

NOTE 8: INSURED SENIOR LIVING REVENUE BONDS

Series 2016A and 2016B – In November 2016, the California Municipal Finance Authority (the Authority) issued Insured Senior Living Revenue Bonds Series 2016B for \$10,925,000 of current interest bonds. The bond was issued together with the Series 2016A Bonds for \$25,130,000 to refund the Insured Senior Living Revenue Bonds Series 2009A. Interest rates range from 4.0% to 5.0% depending on the maturity date of the bond, and interest is payable semiannually on May 15 and November 15.

The proceeds associated with the refunding were placed into an irrevocable escrow account for future repayment. The deceased debt was fully redeemed as of May 15, 2019. As of December 31, 2019, the debt was paid in full by the escrow agent.

Subject to the terms of the loan agreement and the regulatory agreement, the gross revenues of Pilgrim Place are pledged to the payment of the loan repayments and to secure the payments of the principal or the interest on the bonds and parity debt. A debt services reserve fund was established to make any principal and interest payments if a shortage occurs in the required payments. The amount in the debt service reserve fund was \$1,117,575 and \$1,114,341 for December 31, 2022 and 2021, respectively. Pilgrim Place has complied with the various covenants, conditions and restrictions required by the regulatory agreement.

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 8: INSURED SENIOR LIVING REVENUE BONDS

Terms of the loan agreement require Pilgrim Place to make annual payments into a sinking fund (principal and interest funds) for annual debt service payments. The bonds are payable beginning May 15, 2017, with annual payments scheduled through May 15, 2046. Interest rates range from 4.0% to 5.0%. As of December 31, 2022, the principal and interest fund was \$994,465 and the outstanding debt was \$31,985,000. At December 31, 2021, the principal and interest fund was \$961,368 and the outstanding debt was \$32,795,000. As of December 31, 2022 and 2021, \$-0- and \$51,383, respectively, was in cash held by a trustee and was available for construction.

The bonds included issuance costs of \$2,145,244. This amount is amortized using the straight-line method. Amortization recognized during the years ended December 31, 2022 and 2021 was \$87,073 each year. At December 31, 2022 and 2021, the unamortized issuance costs was \$1,615,550 and \$1,702,623, respectively.

The maturity amount includes the premium on bonds which is amortized over the life of the liability. The bonds included a premium of \$1,325,525. Amortization recognized during the years ended December 31, 2022 and 2021 was \$60,367 each year. At December 31, 2022 and 2021, the unamortized bond premium was \$958,290 and \$1,018,657, respectively.

Required payments are as follows:

Year Ending December 31,	Principal	Interest
2023	\$ 845,000	\$ 1,365,381
2024	880,000	1,330,881
2025	915,000	1,290,406
2026	960,000	1,243,531
2027	1,005,000	1,194,406
Thereafter	27,380,000	11,557,935
Total	31,985,000	\$ 17,982,540
Issuance costs	(1,615,550)	
Premium on bonds	958,290	
Total bonds payable	\$ 31,327,740	

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

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

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

	2022	2021
Subject to expenditure for specific purpose:		
Memory care unit	\$ 353,523	\$ 340,022
Diversity Initiative	500,823	500,000
Resident committee funds	243,723	253,404
Subject to appropriation and expenditure when a specific event occurs:		
Split interest agreements - annuities	126,865	229,094
Split interest agreements - charitable remainder trusts	40,768	40,768
Subject to spending policy and appropriation:		
Investment in perpetuity (including amounts above original gift amount of \$7,622,386 and \$7,397,210, respectively), the income from which is expendable to support:		
Resident supplements	8,543,427	11,530,499
Napier endowment	784,155	742,081
Undesignated endowment	2,891,841	2,824,471
Health Services Center support	774,751	774,751
Independent rental supplements	291,975	291,975
General operations	73,623	73,621
Petterson Museum of Intercultural Art	31,785	31,785
	<u>\$ 14,657,259</u>	<u>\$ 17,632,471</u>

NOTE 10: ENDOWMENT

Pilgrim Place's endowment consists of approximately 10 individual endowments established for its charitable purpose. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Board of Directors of Pilgrim Place has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Pilgrim Place retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by Pilgrim Place in a manner consistent with the standard of prudence prescribed by UPMIFA. As such, the Board has adopted a policy which treats realized and unrealized gains and losses as income on all Endowment Funds.

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 10: ENDOWMENT

In making a determination to appropriate or accumulate donor-restricted endowment funds, the Board considers the long-term needs of Pilgrim Place in carrying out its charitable purpose, its present and anticipated financial requirements, its expected total return on investments, general economic conditions, as well as other factors.

Return Objectives, Risk Parameters and Strategies – Pilgrim Place has adopted an investment policy which maximizes return at an appropriate level of risk within the constraints of general economic conditions. The primary investment objective of the portfolio is to earn a total return over time, sufficient to meet the budgetary need for current income plus preserve the real (inflation adjusted) purchasing power of the endowment. The endowment portfolio is diversified both by asset class (equities and fixed-income securities) and within asset classes (within equities by economic sector, geographic area, industry, quality, and size). The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the portfolio's aggregate results.

Spending Policy and How the Investment Objectives Relate to Spending Policy – Pilgrim Place has a policy of appropriating for distribution each year 5% from the General Endowment and up to 5% as needed from the Davis Health Endowment of the average portfolio market value for the preceding three years.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Pilgrim Place to retain as a fund of perpetual duration. There are no funds with deficiencies of this nature as of December 31, 2022 and 2021.

Endowment Net Asset Composition by Type of Fund as of December 31, 2022

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 10,910,532	\$ 10,910,532
Board designated endowment funds-borrowed	2,736,469	-	2,736,469
Board and undesignated endowment	1,246,890	2,995,043	4,241,933
	<u>\$ 3,983,359</u>	<u>\$ 13,905,575</u>	<u>\$ 17,888,934</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2022

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 10: ENDOWMENT

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 5,085,064	\$ 16,605,952	\$ 21,691,016
Investment return:			
Internal loan investment return	23,991	-	23,991
Investment return, net of expenses	12,994	98,246	111,240
Net depreciation (realized and unrealized)	(1,138,690)	(2,664,111)	(3,802,801)
Total investment return	(1,101,705)	(2,565,865)	(3,667,570)
Other changes:			
Contributions	-	281,332	281,332
Matured gift annuities	-	3,803	3,803
Distributions	-	(419,647)	(419,647)
Repayment of internal borrowing from operations	43,296	-	43,296
Decrease in internal borrowing	(43,296)	-	(43,296)
Total other changes	-	(134,512)	(134,512)
Endowment net assets, end of year	\$ 3,983,359	\$ 13,905,575	\$ 17,888,934

Endowment Net Asset Composition by Type of Fund as of December 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 13,678,278	\$ 13,678,278
Board designated endowment funds-borrowed	2,779,765	-	2,779,765
Board and undesignated endowment	2,305,299	2,927,673	5,232,972
	\$ 5,085,064	\$ 16,605,951	\$ 21,691,015

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 10: ENDOWMENT

Changes in Endowment Net Assets for the Year Ended December 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 4,255,718	\$ 14,562,676	\$ 18,818,394
Investment return:			
Internal loan investment return	11,459	-	11,459
Investment return, net of expenses	12,130	113,827	125,957
Net depreciation (realized and unrealized)	805,757	1,550,534	2,356,291
Total investment return	829,346	1,664,361	2,493,707
Other changes:			
Contributions	-	623,720	623,720
Matured gift annuities	-	5,194	5,194
Distributions	-	(250,000)	(250,000)
Repayment of internal borrowing from operations	157,160	-	157,160
Decease in internal borrowing	(157,160)	-	(157,160)
Total other changes	-	378,914	378,914
Endowment net assets, end of year	\$ 5,085,064	\$ 16,605,951	\$ 21,691,015

NOTE 11: PATIENT SERVICE REVENUE

Patient service revenue at December 31, 2022 and 2021 is as follows:

	2022	2021
Skilled nursing	\$ 8,461,842	\$ 8,383,104
Less write offs	(86)	(18,900)
Less contractual provisions	(1,915,210)	(1,333,030)
Skilled nursing, net	\$ 6,546,546	\$ 7,031,174

NOTE 12: REDEVELOPMENT PLAN OBLIGATION (AB 1169 DISCLOSURE)

Master Plan – The bonded debt issuance of \$26.5 million, Series 2009A and 2009B, was primarily used to complete Pilgrim Place’s master plan projects. The master plan projects were designed to meet the needs of Pilgrim Place by providing additional housing and facilities for residents, which is consistent with Pilgrim Place’s tax exempt status. As part of the plan, Pilgrim Place applied for CCRC licensure for its existing campus and for a proposed campus expansion. The expansion project added independent living units, assisted living units, administrative offices and other campus improvements. Construction began in 2009 and was substantially completed by May 2011. Pilgrim Place used a combination of internal cash and tax-exempt and taxable debt to fund project costs.

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 12: REDEVELOPMENT PLAN OBLIGATION (AB 1169 DISCLOSURE)

As of December 31, 2012, approximately \$24.5 million had been expended to retire outstanding debt of \$2.8 million, to fund prior construction costs of \$15.6 million, to pay bond issuance costs of \$2.6 million and to make debt service payments of \$3.5 million; thereby leaving a balance of \$2.0 million for the final debt service payment. During 2016, outstanding debt refunded with the issuance of Bond Series 2016A and the \$2.0 million for the final debt service payment was included in the amount sent to the escrow agent.

Capital Improvements – The bonded debt issuance of \$10.9 million, Series 2016B, will primarily be used to finance the cost of various improvements to and rehabilitation of certain facilities. These projects are designed to meet the needs of Pilgrim Place by providing solar energy, campus-wide secure high-speed internet, and an updated pendant emergency notification system for residents, which is consistent with the Pilgrim Place's tax exempt status. Construction began in 2017 and was substantially completed in 2020. As of December 31, 2022 capital project funds from this debt issuance were fully expended.

As of December 31, 2022, \$8.85 million of proceeds had been used for construction costs. During the year ended December 31, 2022, \$810 thousand of principal had been paid and \$1.3 million in interest payments were made.

As of December 31, 2021, \$8.9 million of proceeds had been used for construction costs. During the year ended December 31, 2021, \$780 thousand of principal had been paid and \$1.4 million in interest payments were made.

NOTE 13: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, which is allocated to the program pertaining to the capital expense, as well as professional services, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

NOTE 14: RESIDENT CARE SERVICE REVENUE

Resident Care Service Revenue – Resident care service revenue is reported at the amount that reflects the consideration to which Pilgrim Place expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Pilgrim Place bills the residents and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Pilgrim Place. Revenue for performance obligations satisfied over time is recognized based on actual

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 14: RESIDENT CARE SERVICE REVENUE

charges incurred in relation to total expected (or actual) charges. Pilgrim Place believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in our facility receiving skilled nursing services or residents receiving services in our facility. Pilgrim Place measures the performance obligation from admission into the facility, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or completion of the outpatient services. Total revenues recognized over time were \$16,927,012 and \$16,390,753 for the years ended December 31, 2022 and 2021, respectively. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our residents and customers in a retail setting (for example, guest room and guest meals) and Pilgrim Place does not believe it is required to provide additional goods or services related to that sale. Revenues recognized at a point in time were \$120,874 and \$96,335 for the years ended December 31, 2022 and 2021, respectively.

Pilgrim Place determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Pilgrim Place's policy, and/or implicit price concessions provided to Residents. Pilgrim Place determines its estimates of contractual adjustments based on contractual agreements, its policy, and historical experience. Pilgrim Place determines its estimate of implicit price concessions based on its historical collection experience.

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

Medi-Cal – The licensed skilled nursing facility participate in the Medi-Cal program which is administered by the California Department of Health Care Services. Medi-Cal is California's Medicaid program. Medi-Cal, however, will pay for a nursing home only when it is "medically necessary." California defines medically necessary as "when it is reasonable and necessary to protect life, to prevent significant illness or significant disability, or to alleviate severe pain." For Medi-Cal to pay for a nursing home stay, a treating physician must prescribe a nursing home because a resident either needs the continual, round-the-clock availability of skilled nursing care or what's called "intermediate care." Skilled nursing care includes things like giving injections, inserting or replacing catheters, changing wound dressings, feeding through a gastric tube, and treating bedsores. Intermediate care means a protective and supportive environment with "observation on an ongoing intermittent basis to abate health deterioration." To determine whether residents need at least an intermediate "level of care" (LOC), Medi-Cal will do an LOC assessment that looks at their limitations in their activities of daily living (ADLs), cognitive function, and physical function and their need for help with medication and treatments. Medi-Cal reimbursements/payments are based on DHCS (Department of Health Care Services) using their cost-based methodology for Free-Standing Nursing Facilities mandated by California

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 14: RESIDENT CARE SERVICE REVENUE

Assembly Bill with facility-specific rate. This calculation is performed every August first of the year and these rates also apply to all Medi-Cal Managed Care Health Plans (MCP).

Medicare – The licensed skilled nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). Skilled nursing facilities are paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines (presumption of skilled coverage) for skilled nursing facility services. PPS is a per diem price-based system based on CMS's Patient Driven Payment Mode (PDPM). Under PDPM, payment is based on the presumption of skilled coverage based on resident care classifications. PDPM also includes a "Variable Per Diem (VPD) adjustment" that adjusts the per diem rate over the course of the stay. Regulation specifies the PDPM categories that will qualify for the presumption of skilled coverage. This model focuses on residents' clinical characteristics rather than the number of therapy minutes. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. Skilled nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a skilled nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed skilled nursing facility.

Other – Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and Pilgrim Place's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 14: RESIDENT CARE SERVICE REVENUE

occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2022 or 2021.

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

Amounts due from resident and health-care service agreements for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Balance as of January 1,	\$ 973,180	\$ 713,949
Balance as of December 31,	1,193,903	973,180

NOTE 15: PROPERTY SALE

On July 19, 2021, Pilgrim Place entered into a real property purchase and sale agreement for the sale of real property on Harrison Avenue in the amount of \$1.2 million dollars. Pilgrim Place received a deposit from the buyer of \$60,000 to be held in escrow and nonrefundable to the buyer upon expiration of the first extended due diligence period of October 31, 2021. Two Financing Period Extension Notices were received, the first on November 18, 2022 and the second on March 28, 2023 with a \$20,000 deposit held in escrow for each. In addition, closing may be extended by the buyer through August 22, 2023, without additional consideration or through September 21, 2023 with consideration of \$50,000. The deposits will be applied to the purchase price at closing. As of December 31, 2022, the sale transaction had not been completed and it is uncertain if the September escrow deadline will be met due to pending approvals from the City of Claremont.

PILGRIM PLACE IN CLAREMONT
STATE OF CALIFORNIA
CONTINUING CARE RESERVE REPORT

For the Fiscal Year Ended December 31, 2022
and
Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pilgrim Place in Claremont

Report on the Audit of the Financial Schedule

Opinion

We have audited the accompanying continuing care reserve report of Pilgrim Place in Claremont (Pilgrim Place), a California Not-For-Profit Corporation, which comprise the Forms 5-1 through 5-5 for the year ended December 31, 2022 and the notes to the financial statement.

In our opinion, such continuing care reserve report Forms 5-1 through 5-5 present fairly, in all material respects, the liquid reserve requirements of Pilgrim Place at December 31, 2022, in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Schedule section of our report. We are required to be independent of Pilgrim Place and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the schedule, which describes the 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 Pilgrim Place'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.

Responsibilities of Management 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 prescribed by California Health and Safety Code Section 1792 and 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.

Responsibilities of Management for the Continuing Care Reserve Report (continued)

In preparing the continuing care reserve report, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pilgrim Place's ability to continue as a going concern for one year after the date the financial schedule is available to be issued.

Auditors' Responsibilities for the Audit of the Financial Schedule

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

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial schedule.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pilgrim Place's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial schedule.

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

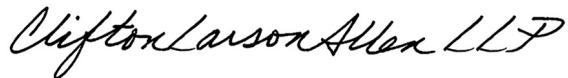
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information

Our audit was conducted for the purpose of forming an opinion on Forms 5-1 through 5-5. The Annual Report Checklist, the Certificate of Liability Insurance and Fidelity Coverage, Form 1-1, Disclosure Statement, Key Indicators Report and Form 9-1, which is the responsibility of management, is presented for the purposes of additional analysis and is not a required part of the financial statement. Such information has not been subjected to the auditing procedures applied in the audit of Forms 5-1 through 5-5, and accordingly, we do not express an opinion or provide any assurance on them.

Restriction of Use

This report is intended solely for the information and use of the board of directors and management of Pilgrim Place 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".**CliftonLarsonAllen LLP**

Glendora, California
April 20, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The audited financial statements as of and for the year ended December 31, 2022 and 2021, with a report date of April 20, 2023, accompany this report as part of supplementary information. Refer to footnote Note 10 - Insured Senior Living Revenue Bonds for related disclosures on long-term debt that is reflected in Forms 5-1 through 5-5.

Basis of Presentation –California Health and Safety Code Section 1792 requires continuing care contract providers to establish and maintain statutory and refund reserves to ensure financial resources will be available to fulfill contractual obligations to residents. The continuing care reserve report schedules (the “Schedules”), which calculate reserve requirements, are prepared in accordance with the Annual Reserve Report Instructions provided by the State of California Department of Social Services. The Schedules are required to be submitted annually to the California Department of Social Services within four months of year-end.

FORM 1-1
RESIDENT POPULATION

<u>LINE</u>	<u>CONTINUING CARE RESIDENTS</u>	<u>TOTAL</u>
1	NUMBER AT BEGINNING OF FISCAL YEAR	330
2	NUMBER AT END OF FISCAL YEAR	331
3	TOTAL LINES 1 AND 2	661
4	MULTIPLY LINE 3 BY ".50" AND ENTER RESULT ON LINE 5	x.50
5	MEAN NUMBER OF CONTINUING CARE RESIDENTS	<div style="border: 1px solid black; padding: 2px;">331</div>

ALL RESIDENTS

6	NUMBER AT BEGINNING OF FISCAL YEAR	354
7	NUMBER AT END OF FISCAL YEAR	353
8	TOTAL LINES 6 AND 7	707
9	MULTIPLY LINE 8 BY ".50" AND ENTER RESULT ON LINE 10	x.50
10	MEAN NUMBER OF ALL RESIDENTS	<div style="border: 1px solid black; padding: 2px;">354</div>
11	DIVIDE LINE 5 BY LINE 10 AND ENTER THE RESULT	<div style="border: 1px solid black; padding: 2px;">0.94</div>

FORM 1-2
ANNUAL PROVIDER FEE

<u>LINE</u>	<u>TOTAL</u>
1	TOTAL OPERATING EXPENSES
a	DEPRECIATION
b	DEBT SERVICE(INTEREST ONLY)
2	SUBTOTAL (add Line 1a and 1b)
3	SUBTRACT LINE 2 FROM LINE 1 AND ENTER RESULT
4	PERCENTAGE ALLOCATED TO CONTINUING CARE RESIDENT (LINE11)
5	TOTAL OPERATING EXPENSE OF CONTINUING CARE RESIDENTS
	MULTIPLY LINE 3 BY LINE 4
6	TOTAL AMOUNT DUE (LINE 5 BY .001)

PROVIDER: PILGRIM PLACE IN CLAREMONT

COMMUNITY: SAME AS ABOVE

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	Various	43,296	40,961	0	84,257
2	11/1/2016	810,000	1,398,481	0	2,208,481
3					0
4					
5					
6					
7					
8					
TOTAL			1,439,442		2,292,738

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

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

PROVIDER: PILGRIM PLACE IN CLAREMONT

Form 5-1

Comments from Provider: Column c, line 1 consists of interest payments on internal debt still outstanding at 12/31/22.
Principle payments on internal debt are not required; however, \$43,296 was paid in 2022.

**FORM 5-2
LONG-TERM DEBT INCURRED
DURING FISCAL YEAR
(INCLUDING BALLOON DEBT)**

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Total Interest Paid During Fiscal Year	Amount of Most Recent payment on the Debt	Number of Payments over next 12 months	Reserve Requirement (see instruction 5) (columns (c) x (d))
1					
2					
3					
4					
5					
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: PILGRIM PLACE IN CLAREMONT

Comments from Provider: Pilgrim Pace did not incur any long-term debt obligations during the fiscal year.

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

LINE	TOTAL
1 Total from form 5-1 bottom of Column (e)	2,292,738
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)	<u>0</u>
4 TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	<u>2,292,738</u>

PROVIDER: PILGRIM PLACE IN CLAREMONT

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

LINE		AMOUNT	TOTAL
1	TOTAL OPERATING EXPENSE FROM FINANCIAL STATEMENT		<u>24,385,558</u>
2	DEDUCTIONS		
a	INTEREST PAID ON LONG-TERM DEBT	<u>1,439,442</u>	
b	CREDIT ENHANCEMENT PREMIUMS PAID FOR LONG-TERM DEBT	<u>-</u>	
c	DEPRECIATION	<u>3,000,616</u>	
d	AMORTIZATION	<u>87,073</u>	
e	REVENUE RECEIVED DURING FISCAL YEAR FOR SERVICES TO RESIDENTS WHO DID NOT HAVE A CONTINUING CARE CONTRACT	<u>4,142,190</u>	{See attached schedule}
f	EXTRAORDINARY EXPENSES APPROVED BY THE DEPARTMENT	<u>-</u>	
3	TOTAL DEDUCTIONS		<u>8,669,321</u>
4	NET OPERATING EXPENSES		<u>15,716,237</u>
5	DIVIDE LINE 4 BY 365 AND ENTER THE RESULT		<u>43,058</u>
6	MUTIPLY LINE 5 BY 75 AND ENTER THE RESULT		
	THIS IS THE PROVIDER'S OPERATING EXPENSE RESERVE AMT		<u><u>3,229,350</u></u>

PROVIDER: PILGRIM PLACE IN CLAREMONT

COMMUNITY: SAME AS ABOVE

**PILGRIM PLACE HEALTH SRVS CTR
REVENUE ACCOUNTS
2022**

PAYOR	COMMUNITY	PILGRIM	TOTAL
HMO	\$1,538,360	\$415,333	\$1,953,693
MEDI-CAL	\$819,785	\$1,094,675	\$1,914,460
MEDICARE	\$1,453,975	\$14,398	\$1,468,373
PRIVATE	\$330,070	\$879,950	\$1,210,020
TOTAL	\$4,142,190	\$2,404,356	\$6,546,546

Note: Total revenue of \$6,546,546 agrees with skilled nursing revenue on page 6 of the 2021 audited financial statements.

FORM 5-5
ANNUAL RESERVE CERTIFICATION

PROVIDER NAME: PILGRIM PLACE IN CLAREMONT
FISCAL YEAR ENDED: 12/31/2022

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2021, and are in compliance with those requirements

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

1	DEBT SERVICE RESERVE AMOUNT	<u>2,292,738</u>
2	OPERATING EXPENSE RESERVE AMOUNT	<u>3,229,350</u>
3	TOTAL LIQUID RESERVE AMOUNT	<u>5,522,088</u>

QUALIFYING ASSETS SUFFICIENT TO FULFILL THE ABOVE REQUIREMENTS ARE HELD AS FOLLOWS:

		AMOUNT (MARKET VALUE AT END OF YEAR)	
<u>QUALIFYING ASSETS DESCRIPTION</u>	<u>DEBT SERVICE RESERVE</u>	<u>OPERATING RESERVE</u>	
4 CASH AND CASH EQUIVALENTS	<u>2,500,377</u>	<u>2,500,377</u>	
5 INVESTMENT SECURITIES	<u>-</u>	<u>-</u>	
6 EQUITY SECURITIES	<u>-</u>	<u>5,068,424</u>	
7 UNUSED/AVAIL. LINES OF CREDIT	<u>-</u>	<u>-</u>	
8 UNUSED/AVAIL. LETTERS OF CREDIT	<u>-</u>	<u>-</u>	
9 DEBT SERVICE RESERVE	<u>1,117,575</u>	<u>-</u>	
OTHER: (DESCRIBE)			
TOTAL AMOUNT OF QUALIFYING ASSETS LISTED FOR RESERVE OBLIGATION:	11 <u>3,617,952</u>	12 <u>7,568,801</u>	
RESERVE OBLIGATION AMOUNT	13 <u>2,292,738</u>	14 <u>3,229,350</u>	
SURPLUS / (DEFICIENCY)	15 <u>1,325,214</u>	16 <u>4,339,451</u>	

SIGNATURE:

AUTHORIZED REPRESENTATIVE

Chief Financial Officer

TITLE

DATE

DSS - Reserve Report Part of Form 5-5
Description of Reserves Under SB 1212

Total Qualifying Assets as Filed:	<u>Debt Service</u>	<u>Operating</u>	Description:
Cash and Cash Equivalents	2,500,377	2,500,377	Unrestricted cash and money market funds per statement of financial position.
Investment Securities	-	-	
Equity Securities	-	5,068,424	Unrestricted equity investments per statement of financial position.
Unused Line of Credit	-	-	Unused operational line of credit.
Debt Service Reserve	1,117,575	-	Debt service in trust account per statement of financial position.
Total Qualifying Assets as Filed	3,617,952	7,568,801	
Debt Service Reserve			
Reservations and Designations:	2,292,738	3,229,350	
Remaining Liquid Reserves	<u>1,325,214</u>	<u>4,339,451</u>	
Benevolence Endowment		9,341,130	Restricted for Residents Health & Support Program

Per Capital Cost of Operations

Operating Expenses (Form 5-4, line #1)	24,385,558
Mean # of CCRC Residents (Form 1-1, line #10)	354
Per Capita Cost of Operations	68,886

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE STATEMENT

Date Prepared: 04/19/2023

Facility Name: Pilgrim Place in Claremont

Address: 625

Zip Code: 91711

Phone: (909) 399-5500

Provider Name:

Same as above

Facility Operator: Same as above

Religious Affiliation: None

Year Opened: 1915

of Acres: 32

Miles to Shopping Center: 1

Miles to Hospital: 2

☐ Single Story☐ Multi-Story☒ Other: Both

Number of Units: 315

Residential Living	Number of Units	Health Care	Number of Units
Apartments – Studio:	0	Assisted Living:	57
Apartments – 1 Bdrm:	51	Skilled Nursing:	59
Apartments – 2 Bdrm:	12	Special Care:	12
Cottages/Houses:	34	Description:	Memory Care

RLU Occupancy (%) at Year End: 88.8

Type of Ownership: ☒ Not for Profit☐ For ProfitAccredited? ☐ Yes By:☒ No

Form of Contact:

☒ Continuing Care☐ Life Care☒ Entrance Fee☒ Fee for Service

(Check all that apply)

☐ Assignment of Assets☐ Equity☐ Membership☐ Rental

Refund Provisions:

☐ Refundable☐ 90%☒ 50%

(Check all that apply)

☒ Repayable☐ 75%☒ Other: Fully Amortized

Range of Entrance Fees: \$172,380 - \$1,098,923

Long-Term Care Insurance Required? ☐ Yes ☒ No

Health Care Benefits Included in Contract: SNF & MC with discount, clinic, enhanced care

Entry Requirements: Min Age: 60 Prior Profession: Non-Profit Other:

Resident Representative(s) to, and Resident Members on, the Board:

(briefly describe provider's compliance and residents' roles): Six members of the 21

member board of directors are residents with full participation. Five have voting rights and one is non-voting.

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

Facility Services and Amenities

Common Area Amenities	Available	Fee for Service	Services Available	Included in Fee	For Extra Charge
Beauty/Barber Shop	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Housekeeping (___Times/	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Billiard Room	<input type="checkbox"/>	<input type="checkbox"/>	Month at \$_____each)		
Bowling Green	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Meals (___/Day)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Card Rooms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Special Diets Available	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Chapel	<input type="checkbox"/>	<input type="checkbox"/>			
Coffee Shop	<input type="checkbox"/>	<input type="checkbox"/>	24-Hour Emergency Response	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Craft Rooms	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Activities Program	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Exercise Room	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	All Utilities Except Phone	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Golf Course Access	<input type="checkbox"/>	<input type="checkbox"/>	Apartment Maintenance	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Library	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cable TV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Putting Green	<input type="checkbox"/>	<input type="checkbox"/>	Linens Furnished	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Shuffleboard	<input type="checkbox"/>	<input type="checkbox"/>	Linens Laundered	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Spa	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Medication Management	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Swimming Pool – Indoor	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Nursing/Wellness Clinic	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Swimming Pool – Outdoor	<input type="checkbox"/>	<input type="checkbox"/>	Personal Home Care	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Tennis Court	<input type="checkbox"/>	<input type="checkbox"/>	Transportation – Personal	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Workshop	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Transportation – Prearranged	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other: _____	<input type="checkbox"/>	<input type="checkbox"/>	Other: _____	<input type="checkbox"/>	<input type="checkbox"/>

Provider Name: Pilgrim Place in Claremont

Affiliated CCRCs	Location (city, state)	Phone (with area code)
None		

Multi-Level Retirement Communities	Location (city, state)	Phone (with area code)
None		

Free-Standing Skilled Nursing	Location (city, state)	Phone (with area code)
None		

Subsidized Senior Housing	Location (city, state)	Phone (with area code)
None		

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

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

	RESIDENTIAL LIVING	ASSISTED LIVING	MEMORY CARE	SKILLED NURSING
1. Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	<u>2,362 - 6071</u>	<u>3,693 - 8,438</u>	<u>7,500 - 9,740</u>	<u>11.7k - 20.6k</u>
2. Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4.00%</u>	<u>4.00%</u>	<u>0.00%</u>	<u>5.00%</u>

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

3. Indicate the date the fee increase was implemented: January 1, 2022
(If more than one (1) increase was implemented, indicate the dates for each increase.)

4. Check each of the appropriate boxes:

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

☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
Date of Notice: 11/30/2021 **Method of Notice:** Letter

☒ At least 30 days prior to the increase in fees, the designated representative of the Provider convened a meeting that all residents were invited to attend. **Date of Meeting:** 11/29/2021

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

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

- ☒ Emailed the documents to those residents for whom the provider had email addresses on file
- ☐ Placed hard copies in resident cubby
- ☒ Placed hard copies at designated locations
- ☒ Provided hard copies to residents upon request, and/or
- ☒ Other: [please describe] Posted to Resident Portal
- ☒ **Date of Notice:** 10/29/21

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

Date of Notice: 10/29/2021

- ☒ The governing body of the Provider, or the designated representative of the Provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

Date of Posting: 10/29/2021 **Location of Posting:** Resident Portal, Library, Assisted Living

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

Date of Posting: 9/1/2022 **Location of Posting:** Resident Association Town Meeting 9/15/2022

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

PROVIDER: Pilgrim Place in Claremont **COMMUNITY:** Pilgrim Place in Claremont

5. Monthly service fees are increased based on projected increases in costs for the subsequent year. The determination of the increase is based upon the revenue required to cover our anticipated increases in programmatic, operational and labor expenses, broken down by functional expense, as these are the main drivers of the overall budget. The largest drivers in 2022 for increases in expense are: utilities, raw food costs, general liability and insurance costs, legal and professional fees, a living wage adjustment and our annual salary pool and fringe benefits. In 2022, the percentage increases were 4.00% for IL, 4.00% for AL, and 5% for SNF.

**FORM 7-1 MONTHLY CARE FEE INCREASE (MCFI)
ANNUAL REPORTING FISCALYEAR (F/Y) 2022**

		\$000		
		2020	2021	2022
1	F/Y 2020 Operating Expenses ¹	(18,880)		
2	F/Y 2021 Operating Expenses ¹ (Adjustments ³ if any, Explained Below)		(19,729)	
3	Projected F/Y 2022 Results of Operations ² (Adjustments ³ if any, Explained Below)			(21,385)
4	F/Y 2022 Anticipated MCF IL Revenue ² Based on Current and Projected Occupancy and Other ⁴ without a MCFI			7,841
5	F/Y 2022 Anticipated MCF AL Revenue ² Based on Current and Projected Occupancy and Other ⁴ without a MCFI			1,993
6	F/Y 2022 Anticipated MCF MC Revenue ² Based on Current and Projected Occupancy and Other ⁴ without a MCFI			954
7	F/Y 2022 Anticipated MCF SNF Revenue ² Based on Current and Projected Occupancy and Other ⁴ without a MCFI			7,615
8	Projected F/Y 2022 (Net) Operating Results ² without a MCFI (Line 3 plus Lines 4,5,6)			(2,982)
9	Projected F/Y 2022 IL Anticipated Revenue Based on Current and Projected Occupancy and Other ⁴ with MCFI 4.0%			8,155
10	Projected F/Y 2022 AL Anticipated Revenue Based on Current and Projected Occupancy and Other ⁴ with MCFI 4.0%			2,073
11	Projected F/Y 2022 MC Anticipated Revenue Based on Current and Projected Occupancy and Other ⁴ with MCFI 0%			954
12	Projected F/Y 2022 SNF Anticipated Revenue Based on Current and Projected Occupancy and Other ⁴ with MCFI 5.0%			7,996
13	Grand Total - Projected FY 2022 Net Operating Activity After MCFI (Line 3 plus Lines 8,9,10)			(2,207)
Calculated Monthly Care Fee Increase				4.21%

-
- 1 Total operating expenses from the independent audits of the Statement of Operations
- 2 Internal Accounting and Budget Records - does not include entrance fees
- 3 No Adjustments are presented
- 4 Other includes Contributions and Ancillary Revenue and is not adjusted for COVID Provider Relief Funds

PROVIDER NAME:
FACILITY: PILGRIM PLACE IN CLAREMONT

	2019	2020	2021	2022
INCOME FROM ONGOING OPERATIONS:				
OPERATING INCOME	17,568,772	16,011,004	17,763,836	18,458,581
(EXCL AMORTIZATION OF ENTRANCE FEE INCOME)	17,568,772	16,011,004	17,763,836	18,458,581
LESS OPERATING EXPENSES	16,385,318	17,377,230	18,272,978	19,971,991
(EXCL DEPRECIATION, AMORTIZATION, & INTEREST				
NET INCOME FROM OPERATIONS	1,183,454	(1,366,226)	(509,142)	(1,513,410)
LESS INTEREST EXPENSE	(1,411,297)	(1,415,514)	(1,368,617)	(1,325,878)
PLUS CONTRIBUTIONS	192,050	194,525	163,735	160,331
PLUS NON-OPERATING INCOME (EXPENSES)	933,950	3,169,948	2,041,255	(475,544)
(EXCLUDING EXTRAORDINARY ITEMS)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	898,157	582,733	327,231	(3,154,501)
NET CASH FLOW FROM ENTRANCE FEES	2,526,427	3,232,450	3,634,844	4,478,680
(TOTAL DEPOSITS LESS REFUNDS)				

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

	OUTSTANDING	INT	DATE OF	DATE OF	AMORTIZATION
<u>LENDER</u>	<u>BALANCE</u>	<u>RATE</u>	<u>ORIGINATION</u>	<u>MATURITY</u>	<u>PERIOD</u>
State of California Insured Senior Living Bonds	\$3,211,034	4-5%	November, 2016	2046	30 years

FINANCIAL RATIOS:

FINANCIAL RATIOS:	2021 CCAC 50%	2020	2021	2022
DEBT TO ASSET RATIO	0.33	0.41	0.38	0.40
OPERATING RATIO	101%	117%	111%	115%
DEBT SERVICE COVERAGE RATIO	2.83	2.35	2.26	1.14
DAYS CASH-ON-HAND RATIO	547	274	271	173

HISTORICAL MONTHLY SERVICE FEES

	2019	%	2020	%	2021	%	2022	%
STUDIO								
ONE BEDROOM	1,601	3.00	1,649	3.00	1,715	4.00	1,784	4.00
TWO BEDROOM	2,286	3.02	2,355	3.00	2,449	4.00	2,547	4.00
COTTAGE/HOUSE	2,699	3.00	2,780	3.00	2,891	4.00	3,007	4.00
ASSISTED LIVING	4,798	3.00	4,942	3.00	5,140	4.00	5,346	4.00
SKILLED NURSING	10,356	5.00	10,874	5.00	11,418	5.00	11,989	5.00
SPECIAL CARE								

COMMENTS FROM PROVIDER:

2022 Non-Operating Income includes \$379k in COVID Provider Relief Funds

2021 Non-Operating Income includes \$956k in COVID Provider Relief Funds

HISTORICAL MONTHLY FEE IS THE AVERAGE FEE CHARGED TO EXISTING RESIDENTS.

KEY INDICATORS REPORT

PILGRIM PLACE IN CLAREMONT

Chief Financial Officer Signature

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

	2018	2019	2020	2021	2022	Projected 2023	Forecast				Preferred Trend Indicator
	2022	2023	2024	2025							
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	94.00%	90.00%	86.00%	89.60%	88.80%	89.00%	90.00%	90.00%	90.00%	90.00%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	9.85%	7.14%	-9.03%	-6.44%	-11.79%	5.00%	5.00%	5.00%	5.00%	5.00%	N/A
3. Net Operating Margin - Adjusted (%)	28.78%	19.31%	10.05%	15.52%	12.11%	18.00%	18.00%	18.00%	18.00%	18.00%	N/A
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments (\$000)	\$8,019	\$8,266	\$9,088	\$8,641	\$5,001	\$5,800	\$6,090	\$6,380	\$6,670	\$6,960	N/A
5. Days Cash on Hand (Unrestricted)	225	241	274	271	173	200	210	220	230	240	N/A
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees (\$000)	\$10,130	\$10,292	\$10,709	\$11,467	\$12,393	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	N/A
7. Net Annual E/F proceeds (\$000)	\$4,483	\$2,526	\$3,232	\$4,310	\$4,665	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	N/A
8. Unrestricted Net Assets (\$000)	\$14,816	\$15,496	\$16,069	\$16,542	\$14,069	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000	N/A
9. Annual Capital Asset Expenditure (\$000)	\$3,450	\$3,428	\$3,024	\$3,894	\$3,215	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	0.96	1.10	0.93	1.00	-0.99	1.00	1.00	1.00	1.00	1.00	N/A
11. Annual Debt Service Coverage (x)	2.88	2.2	2.35	2.26	1.14	2	2	2	2	2	N/A
12. Annual Debt Service/Revenue (%)	11.70%	11.00%	10.40%	9.80%	10.30%	10.00%	10.00%	10.00%	10.00%	10.00%	N/A
13. Average Annual Effective Interest Rate (%)	4.21%	4.18%	4.26%	4.24%	4.24%	4.20%	4.20%	4.20%	4.20%	4.20%	N/A
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	23.55%	23.55%	28.32%	27.03%	16.41%	20.00%	23.00%	23.00%	23.00%	23.00%	N/A
15. Average Age of Facility (years)	15.52	15.52	16.19	15.91	15.77	16.00	16.00	16.00	16.00	16.00	N/A

Key Indicators Report Memo

Pilgrim Place became a CCRC for the first time in 2009 despite the fact that we have been in existence since 1915. In addition to becoming a CCRC, we closed on a \$26 million dollar tax-exempt bond issue in 2009 and have now completed a major campus building and renovation project. We have added new IL and AL units and have renovated several other central facilities buildings, for services such as food service and resident activities. In November 2016, the California Municipal Finance Authority (the Authority) issued Insured Senior Living Revenue Bonds Series 2016B for \$10,925,000 of current interest bonds. The bond was issued together with the Series 2016A Bonds for \$25,130,000 to refund the Insured Senior Living Revenue Bonds Series 2009A. The new

Operationally, our occupancy levels increased to pre-covid levels at 91.4% in IL and AL. However, our SNF trailed its occupancy goal at 69% versus 85%.

Being a CCRC with the ability to take in entrance fee revenue has enabled us to improve profitability, liquidity, and capital structure indicators compared to prior levels. We will have more debt going forward due to the bond issue,

As an older campus our average age of facility is higher but, as part of our long-range financial plan, we will be reinvesting significant amounts in capital expenditures to maintain our campus going forward.



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