

ANNUAL REPORT CHECKLIST

PROVIDER(S): Pilgrim Place In ClaremontCCRC(S): SameCONTACT PERSON: Audrey MorabitoTELEPHONE NO.: (909) 399-5505 EMAIL: amorabito@pilgrimplace.orgA complete annual report must consist of **3 copies** of all of the following:

- ☒ Annual Report Checklist.
- ☒ Annual Provider Fee in the amount of: \$ 16,181
 - ☐ 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.
- ☒ Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for **each** community.
- ☒ Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.



PILGRIM PLACE

625 Mayflower Road
Claremont, CA 91711

www.pilgrimplace.org

Tel: (909) 399-5500

Fax: (909) 399-5508

APRIL 27, 2021

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)

12/10/2020

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: PHONE (A/C, No, Ext): 925-934-8500 FAX (A/C, No): 925-934-8278 E-MAIL ADDRESS:	
License#: 0564249 PILGPLA-02		INSURER(S) AFFORDING COVERAGE	
INSURED Pilgrim Place in Claremont, Inc. 625 Mayflower Road Claremont CA 91711		INSURER A: Travelers Casualty and Surety Company of America INSURER B: INSURER C: INSURER D: INSURER E: INSURER F:	
		NAIC # 31194	

COVERAGES**CERTIFICATE NUMBER:** 1810648747**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 <input type="checkbox"/> 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 <input checked="" type="checkbox"/> N / A (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below						<input type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	ERISA			106987508	9/27/2018	9/27/2021	\$500,000

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

Re: As Per Contract or Agreement on File with Insured.

CERTIFICATE HOLDER**CANCELLATION**

Office of Statewide Health Planning and Development
Cal-Mortgage Loan Insurance Division
2020 West El Camino Avenue, 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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ERISA FIDELITY COVERAGE
WITH INFLATION GUARD FOR EMPLOYEE BENEFIT PLANS
DECLARATIONS

POLICY NO. 106987508

Travelers Casualty and Surety Company of America
Hartford, Connecticut
(A Stock Insurance Company, herein called the Company)

ITEM 1	Name and Address of the entity sponsoring the Insured Plan(s): PILGRIM PLACE IN CLAREMONT 625 MAYFLOWER ROAD CLAREMONT, CA 91711
ITEM 2	Insured Plan(s): Any and all Employee Benefit Plans that are sponsored by any entity set forth in ITEM 1 or its Subsidiaries and which are in existence or are hereinafter created or acquired by any such entity set forth in ITEM 1. or its Subsidiaries during the Policy Period .
ITEM 3	Policy Period: Effective from 12:01 a.m. on September 27, 2018 to: (check one) <input type="checkbox"/> 12:01 a.m. on _____ ; or <input checked="" type="checkbox"/> the effective date of the cancellation or termination of this Policy .
ITEM 4	Limit of Insurance: \$500,000.00 . (This amount is the summation of the Limits of Insurance for each Insured as of the Policy effective date and as more fully set forth in section III. LIMIT OF INSURANCE with Inflation Guard.)
ITEM 5	Deductible Amount: Not Applicable.
ITEM 6	Endorsements forming part of this Policy when issued: EFP-18003 02-14, California Cancellation or Termination Endorsement EFP-19014 02-18, Amendatory Endorsement For Certain ERISA Considerations EFP-19007 02-14, Policy Premium Endorsement EFP-19005 02-14, Scheduled Insured Plans Endorsement
ITEM 7	Cancellation of prior insurance: By acceptance of this Policy , the entity sponsoring the Insured Plans gives the Company notice canceling prior Policy or Bond Number issued by the Company. This cancellation is effective at the date and time this Policy becomes effective.
ITEM 8	ALL NOTICES OF CLAIM OR LOSS MUST BE SENT TO THE COMPANY BY EMAIL, FACSIMILE, OR MAIL AS SET FORTH BELOW: Email: BSIclaims@travelers.com FAX: 888.460.6622 Travelers Bond & Specialty Insurance Claim 385 Washington Street Mail Code 9275-NB03F St. Paul, MN 55102

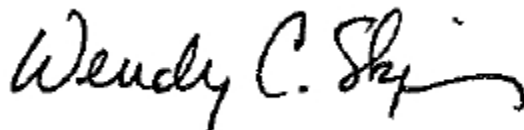
THE DECLARATIONS, THE APPLICATION, THE ERISA FIDELITY COVERAGE, AND ANY ENDORSEMENTS ATTACHED THERETO, CONSTITUTE THE ENTIRE AGREEMENT BETWEEN THE COMPANY AND THE ENTITY SPONSORING THE INSURED PLANS.

Countersigned By

IN WITNESS WHEREOF, the Company has caused this policy to be signed by its authorized officers.

Handwritten signature of Thomas M. Hummel in black ink.

Executive Vice President

Handwritten signature of Wendy C. Skyp in black ink.

Corporate Secretary



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I. CONSIDERATION CLAUSE

IN CONSIDERATION of the payment of the premium, and subject to the Declarations and pursuant to all the terms, conditions, exclusions and limitations of this **Policy**, and in compliance with certain provisions of **ERISA**, the Company will pay the **Insured** for direct loss that the **Insured** sustains which is directly caused by a **Single Loss** taking place before the effective date of cancellation or termination of the **Policy** and which is **Discovered** by the **Insured** during the **Policy Period** or during the Extended Period to Discover Loss pursuant to section **V. CONDITIONS, A. GENERAL CONDITIONS, 1. Extended Period to Discover Loss**.

II. INSURING AGREEMENT

The Company will pay the **Insured** for direct loss of, or direct loss from damage to, **Property** that belongs to the **Insured** directly caused through acts of **Fraud or Dishonesty** committed by a **Fiduciary**, whether identified or not, acting alone or in collusion with other persons.

III. LIMIT OF INSURANCE WITH INFLATION GUARD

The Limit of Insurance set forth in **ITEM 4** of the Declarations is the summation of the Limits of Insurance for each **Insured** as of the **Policy's** original effective date. The **Single Loss** Limit of Insurance applicable to each **Insured** is determined as of the date of **Discovery** of a **Single Loss** as follows:

1. the most the Company will pay to each **Insured** under this **Policy** for any **Single Loss** is an amount equal to 10% of the amount of the funds **Handled** by such **Insured** as of the **Policy** effective date, or \$500,000, whichever amount is less, or
2. in the case of an **Insured** that holds employer securities (within the meaning of 29 United States Code Annotated Section 1112), this section will be applied by substituting "\$1,000,000" for "\$500,000" in the preceding paragraph.

In no event will the Limit of Insurance be less than \$1,000.

Following the **Policy** effective date, the Company agrees to automatically increase, if necessary according to **ERISA**, the **Single Loss** Limit of Insurance for each **Insured** as of the beginning of the **Insured's** most recent fiscal year to an amount equal to the Limit of Insurance required by **ERISA**.

IV. DEFINITIONS

Wherever appearing in this **Policy**, the following words and phrases appearing in bold type have the meanings set forth in this section **IV. DEFINITIONS**:

- A. Discover, Discovered, or Discovery** means the moment when the entity sponsoring the Insured Plans or the **Insured**:
1. first becomes aware of facts that would cause a reasonable person to assume that a loss of a type covered by this **Policy** has been or will be incurred, regardless of when the act or acts causing or contributing to such loss occurred, even though the exact details of loss may not then be known; or
 2. first receives notice of an actual or potential claim against the **Insured** alleging facts that, if true, would constitute a loss under this **Policy**.

- B. *Employee Benefit Plan*** means an employee welfare benefit plan or an employee pension benefit plan as more fully set forth in Title 1, Section 3 of **ERISA**.
- C. *ERISA*** means the Employee Retirement Income Security Act of 1974, and any amendments thereto.
- D. *Fiduciary*** means any natural person who is a trustee, officer, employee, or administrator of any **Insured**.
Fiduciary does not mean any agent, broker, independent contractor, third-party administrator, broker-dealer, registered representative, investment advisor, custodian, or other person or entity of the same general character.
- E. *Fraud or Dishonesty*** has the meaning set forth in Title 29, Code of Federal Regulations, Section 2580.412-9.
- F. *Handled*** has the meaning set forth in Title 29, Code of Federal Regulations, Section 2580.412-6.
- G. *Insured*** means any Insured Plan set forth in **ITEM 2** of the Declarations.
- H. *Policy*** means, collectively, the Declarations, the application, the ERISA Fidelity Coverage, and any endorsements attached thereto.
- I. *Policy Period*** means the period from the Effective Date to the Expiration Date set forth in **ITEM 3** of the Declarations, if any. In no event will the **Policy Period** continue past the effective date of cancellation or termination of this **Policy**.
- J. *Property*** means “funds and other property” as this phrase is defined in Title 29, Code of Federal Regulations, Section 2580.412-4.
- K. *Single Loss*** means:
1. an individual act;
 2. the combined total of all separate acts; or
 3. a series of related acts,
- committed by a **Fiduciary** or committed by more than one **Fiduciary** acting alone or in collusion with other persons during or before the **Policy Period**.
- L. *Subsidiary*** means:
1. any corporation, partnership, limited liability company or other entity organized under the laws of any jurisdiction in which, on or prior to the effective date of the **Policy Period**, the sponsoring entity set forth in **ITEM 1** of the Declarations owns, directly or indirectly, more than 50% of the outstanding securities or voting rights representing the right to vote for the election of or to appoint such organization's board of directors, board of trustees, board of managers, or a functional equivalent thereof, or to exercise a majority control of the board of directors, board of trustees, board of managers or a functional equivalent thereof; or
 2. any organization that the sponsoring entity set forth in **ITEM 1** of the Declarations acquires or forms during the **Policy Period** and in which the sponsoring entity owns, directly or indirectly, more than 50% of the outstanding securities or voting rights representing the right to vote for the election of or to appoint such organization's board of directors, board of trustees, board of managers, or a functional equivalent thereof or to exercise a majority control of the board of directors, board of trustees, board of managers, or a functional equivalent thereof.

V. EXCLUSIONS

- A. This **Policy** does not cover any expenses incurred by the **Insured**:
1. in establishing the existence of or the amount of any loss covered under this **Policy**; or
 2. as a party to or in preparation for any legal proceeding whether or not such legal proceeding exposes the **Insured** to loss covered by this **Policy**.
- B. This **Policy** does not cover loss of income, whether or not earned or accrued, or potential income, including interest and dividends, not realized by the **Insured** as the result of any loss covered under this **Policy**.
- C. This **Policy** does not cover damages of any type for which the **Insured** is legally liable, except direct compensatory damages, but not multiples thereof, resulting from a loss covered under this **Policy**.
- D. This **Policy** does not cover indirect or consequential loss of any nature, including fines, penalties, or multiple or punitive damages.
- E. This **Policy** does not cover loss resulting directly or indirectly from the diminution in value of **Property**.
- F. This **Policy** does not cover loss caused directly or indirectly by any **Fiduciary** for whom this **Policy** has terminated pursuant to section VI. **CONDITIONS**, C. 4., provided, that this exclusion will not apply to loss of any **Property** already in transit in the custody of such **Fiduciary** at the time the **Policy** terminated or to loss resulting directly from dishonest or fraudulent acts occurring prior to the time the **Policy** terminated.
- G. This **Policy** does not cover loss caused by:
1. The unauthorized access to, use of, or disclosure of confidential information including patents, trade secrets, processing methods, customer lists, or beneficiary lists.
 2. The unauthorized access to, use of, or disclosure of confidential or personal information of any customer, **Fiduciary**, **Insured** beneficiary, or any other person or entity, including financial information, credit card information, or any other type of non-public information.
- H. This **Policy** does not cover fees, costs, fines, penalties, and other expenses incurred by the **Insured** that are related to any unauthorized access to, use of, or disclosure of confidential or personal information of any customer, **Fiduciary**, **Insured** beneficiary, or any other person or entity, including financial information, credit card information, or any other type of non-public information.

VI. CONDITIONS

A. GENERAL CONDITIONS

1. Extended Period to Discover Loss

The Company will pay the **Insured** for loss that the **Insured** sustained prior to the effective date of cancellation or termination of this **Policy**, which is **Discovered** by the **Insured** during the **Policy Period** or within one year after the date of cancellation or termination.

Notwithstanding the above, this Extended Period to Discover Loss terminates immediately upon the effective date of any other insurance obtained by the entity sponsoring the Insured Plans or the **Insured** replacing in whole or in part the insurance afforded by this **Policy**.

2. Other Insurance

This **Policy** applies only as excess insurance over, and will not contribute with: (1) any other valid

and collectible insurance available to any **Insured** unless such insurance is written specifically excess of this **Policy** by reference in such other policy to the Policy Number of this **Policy**; and (2) indemnification to which any **Insured** is entitled from any other entity other than any **Insured**. As excess insurance, this **Policy** will not apply to or contribute to the payment of any loss to the **Insured** until the amount of such other insurance or indemnity has been exhausted by loss covered under such other insurance or indemnity. If the limit of the other insurance or indemnity is insufficient to cover the entire amount of the loss, this **Policy** will apply to that part of the loss not recoverable or recovered under the other insurance or indemnity. This **Policy** will not be subject to the terms of any other insurance.

Any loss to which this Condition A.2. applies is subject to the applicable **Single Loss** Limit of Insurance described in section **III. LIMIT OF INSURANCE WITH INFLATION GUARD**.

If this **Policy** replaces prior insurance that provided the **Insured** with an extended period of time after the termination or cancellation of such prior insurance in which to **Discover** loss, then, and only with respect to loss **Discovered** during such extended period but sustained prior to the termination of such prior insurance, the coverage afforded by this **Policy** applies as follows:

- a. the Company will have no liability for such loss, unless the amount of such loss exceeds the limit of insurance of that prior insurance; provided, that in such case, the Company will pay the **Insured** for the excess of such loss subject to the terms and conditions of this **Policy**; and
- b. any payment the Company makes to the **Insured** for such excess loss will not be greater than the difference between the limit of insurance of the **Insured's** prior insurance and the applicable **Single Loss** Limit of Insurance described in section **III. Limit of Insurance with Inflation Guard**.

3. Interests Covered

This **Policy** is for the **Insured's** benefit only and provides no rights or benefits to any other person or organization. Any claim for loss that is covered under this **Policy** must be presented by the **Insured**.

4. Representation, Concealment, Misrepresentation, or Fraud

No statement made by or on behalf of the entity sponsoring the Insured Plans shown in **ITEM 1** of the Declarations or the **Insured**, whether contained in the application, underwriting information, or otherwise, is deemed to be a warranty of anything except that it is true to the best of the knowledge and belief of the person making the statement.

This **Policy** will not provide coverage in any case of fraud by the entity sponsoring the Insured Plans or the **Insured** as it relates to this **Policy** at any time. This **Policy** also will not provide coverage if the entity sponsoring the Insured Plans or the **Insured**, at any time, intentionally conceals or misrepresents a material fact concerning:

- a. this **Policy**;
- b. the **Property**;
- c. the entity sponsoring the Insured Plans' or the **Insured's** interest in the **Property**; or
- d. a claim under this **Policy**.

5. Premiums

The sponsoring entity set forth in **ITEM 1** of the Declarations is responsible for the payment of all premiums and will be the payee for any return premiums the Company pays. Any payment the Company makes to the sponsoring entity for the return of unearned premiums will be held by the

sponsoring entity for the use and benefit of the **Employee Benefit Plans**.

6. Transfer of Rights and Duties Under this Policy

Rights and duties under this **Policy** may not be transferred without the Company's written consent.

7. Loss payment under this Policy

Loss payments made under this **Policy** will be made to the **Insured**.

B. PROVISIONS AFFECTING LOSS ADJUSTMENT AND SETTLEMENT

1. The **Insured's** Duties in the Event of a Loss

After the entity sponsoring the Insured Plans or the **Insured Discovers** a loss or a situation that may result in loss of or loss from damage to **Property** the **Insured** must:

- a. notify the Company as soon as possible;
- b. submit to examination under oath at the Company's request and give the Company a signed statement of the **Insured's** answers;
- c. give the Company a detailed, sworn proof of loss within 120 days; and
- d. cooperate with the Company in the investigation and settlement of any claim.

2. Valuation/Settlement

The value of any **Property** will be determined by the market value of such **Property** on the date the loss was **Discovered**. If no market price is quoted for such **Property**, the value may be fixed by agreement between the parties or by voluntary arbitration. Any **Property** that the Company pays the **Insured** for or replaces becomes the Company's **Property**.

3. Records

The **Insured** must keep records of all **Property** insured under this **Policy** so the Company can verify the amount of any loss.

4. Recoveries

- a. All recoveries for payments made under this **Policy** will be applied, after first deducting the costs and expenses incurred in obtaining such recovery, in the following order of priority:
 - (1) first, to the **Insured** to reimburse the **Insured** for loss sustained that would have been paid under this **Policy** but for the fact that it is in excess of the Limit of Insurance;
 - (2) second, to the Company in satisfaction of amounts paid or to be paid to the **Insured** in settlement of the **Insured's** covered claim;
 - (3) third, to the **Insured** in satisfaction of any loss not covered under this **Policy**.
- b. The value of all property received by the **Insured** from any source whatsoever and whenever received, in connection with any matter from which a loss has arisen, will be valued as of the date received and will be deducted from the covered loss.
- c. Recoveries do not include any recovery:

(1) from insurance, suretyship, reinsurance, security, or indemnity taken for the Company's benefit; or

(2) of original securities after duplicates of them have been issued.

5. Transfer of the Insured's Rights of Recovery Against Others to the Company

The **Insured** must transfer to the Company all the **Insured's** rights of recovery against any person or organization for any loss the **Insured** sustained and for which the Company has paid or settled. The **Insured** must also do everything necessary to secure those rights and do nothing after loss to impair them.

6. Legal Action Against the Company

The entity sponsoring the Insured Plans or the **Insured** may not bring any legal action against the Company involving loss:

- a. unless the **Insured** has complied with all the terms of this **Policy**;
- b. until 90 days after the **Insured** has filed proof of loss with the Company; and
- c. unless brought within two years from the date the **Insured Discovers** the loss.

If any period of limitation in this section **VI. CONDITIONS, B. PROVISIONS AFFECTING LOSS ADJUSTMENT AND SETTLEMENT**, 6. Legal Action Against the Company is deemed to be inconsistent with any applicable law, such limitation is amended so as to equal the minimum period of limitation provided by such law.

7. Liberalization

If the Company adopts any revision to the Terms and Conditions of this **Policy** that would broaden coverage and such revision does not require an additional premium or endorsement and the revision is adopted within 45 days prior to or during the **Policy Period**, the broadened coverage will apply to this **Policy** as of the date the revision is approved for general use by the applicable department of insurance.

C. CANCELLATION OR TERMINATION

- 1. The entity sponsoring the Insured Plans or the **Insured** may cancel this **Policy** in its entirety by mailing or delivering to the Company advance written notice of cancellation.
- 2. The Company may cancel this **Policy** in its entirety by mailing or delivering to the entity sponsoring the Insured Plans or the **Insured** written notice of cancellation at least 20 days before the effective date of cancellation if the Company cancels for nonpayment of premium; or 60 days before the effective date of cancellation if the Company cancels for any other reason.

The Company will mail or deliver notice to the last mailing address of the sponsoring company set forth in **ITEM 1** of the Declarations known to the Company. Notice of cancellation will state the effective date of cancellation and the **Policy Period** will end on that date. If this **Policy** is cancelled, the Company will send the sponsoring entity any premium refund due calculated on a pro-rata basis. The Company will have the right to the premium amount for the portion of the **Policy Period** during which this **Policy** was in effect. Cancellation will be effective even if the Company has not yet made or offered a refund. If notice is mailed, proof of mailing will be sufficient proof of notice.

- 3. This **Policy** terminates in its entirety immediately upon the expiration of the **Policy Period** set forth in **ITEM 3** of the Declarations.
- 4. This **Policy** terminates as to any **Fiduciary** as soon as any other individual with managerial or supervisory responsibility or any **Fiduciary** not in collusion with such **Fiduciary** of the entity

sponsoring the Insured Plans or the **Insured** becomes aware of any dishonest or fraudulent act committed by such **Fiduciary**, whether before or after the effective date of this **Policy**.

D. CHANGES

Only the sponsoring entity set forth in **ITEM 1** of the Declarations or the **Insured** is authorized to make changes in the terms of this **Policy** and solely with the Company's prior written consent. This **Policy's** terms can be changed, amended or waived only by endorsement issued by the Company and made a part of this **Policy**. Notice to any representative of the entity sponsoring the Insured Plans or the **Insured** or knowledge possessed by any agent or by any other person will not effect a waiver or change to any part of this **Policy**, or estop the Company from asserting any right under the terms, conditions and limitations of this **Policy**.

E. ENTIRE AGREEMENT

This **Policy** constitutes the entire agreement between the **Insured** and the Company.

F. HEADINGS

The titles of the various paragraphs of this **Policy** and its endorsements are inserted solely for convenience or reference and are not to be deemed in any way to limit or affect the provision to which they relate.

SCHEDULED INSURED PLANS ENDORSEMENT

This endorsement changes the ERISA Fidelity Policy:

Policy Number: **106987508**

Issued By: **Travelers Casualty and Surety Company of America**

Issued To: **PILGRIM PLACE IN CLAREMONT**

Effective date: **September 27, 2018** 12:01 a.m.

Process date: **September 28, 2018**

It is agreed that:

The following replaces **ITEM 2** of the Declarations:

ITEM 2. Insured Plan(s): Any and all **Employee Benefit Plans** set forth in the SCHEDULE below and any **Employee Benefit Plans** that are sponsored by any entity set forth in **ITEM 1** or its **Subsidiaries** and which are in existence or are hereinafter created or acquired by any such entity set forth in **ITEM 1**. or its **Subsidiaries** during the **Policy Period**.

PILGRIM PLACE IN CLAREMONT 403b PLAN

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, exclusions or limitations of the above-mentioned policy, except as expressly stated herein. This endorsement is part of such policy and incorporated therein.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

POLICY PREMIUM ENDORSEMENT

This endorsement changes the ERISA Fidelity Policy:

Policy Number: **106987508**

Issued By: **Travelers Casualty and Surety Company of America**

Issued To: **PILGRIM PLACE IN CLAREMONT**

Effective date: **September 27, 2018** 12:01 a.m.

Process date: **September 28, 2018**

It is agreed that:

The following is added to the Declarations:

The premium charged for the period from **September 27, 2018** to **September 27, 2021** is **\$475.00** .

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, exclusions or limitations of the above-mentioned policy, except as expressly stated herein. This endorsement is part of such policy and incorporated therein.

AMENDATORY ENDORSEMENT FOR CERTAIN ERISA CONSIDERATIONS

This endorsement changes the ERISA Fidelity Policy:

Policy Number: **106987508**

Issued By: **Travelers Casualty and Surety Company of America**

Issued To: **PILGRIM PLACE IN CLAREMONT**

Effective date: **September 27, 2018** 12:01 a.m.

Process date: **September 28, 2018**

It is agreed that:

1. The following replaces section **III. LIMIT OF INSURANCE WITH INFLATION GUARD**:

III. LIMIT OF INSURANCE WITH INFLATION GUARD

The Limit of Insurance set forth in **ITEM 4** of the Declarations is the summation of the Limits of Insurance for each **Insured** as of the **Policy's** original effective date. The **Single Loss** Limit of Insurance applicable to each **Insured** is determined as of the date of **Discovery** of a **Single Loss** as follows:

1. the most the Company will pay to each **Insured** under this **Policy** for any **Single Loss** is an amount equal to 10% of the amount of the funds **Handled** by a **Fiduciary**, in accordance with **ERISA**, as of the policy effective date or \$500,000, whichever amount is less, or
2. in the case of an **Insured** that holds employer securities (within the meaning of 29 United States Code Annotated Section 1112), this section will be applied by substituting "\$1,000,000" for "\$500,000" in the preceding paragraph.

In no event will the Limit of Insurance for each **Insured** be less than \$1,000 or less than the Limit of Insurance purchased for each **Insured**.

Following the **Policy** effective date, the Company agrees to automatically increase the Single Loss Limit of Insurance for each **Insured** to an amount equal to the amount required by **ERISA** as of the date of **Discovery** of a **Single Loss**.

2. The following replaces section **IV. DEFINITIONS, D. and F.**:

D. Fiduciary means:

1. any natural person who is a trustee, officer, employee, or administrator of any **Insured**; or
2. any natural person who is a member of the board of directors, an officer, a member of the board of trustees, a partner, an LLC manager or member, or an employee of any sponsoring entity set forth in **ITEM 1** of the Declarations while that person is **Handling Property** that belongs to any **Insured**.

Fiduciary does not mean any agent, broker, independent contractor, third party administrator, broker-dealer, registered representative, investment advisor, custodian or other person or entity of the same general character.

- F. Handled or Handling** mean "handle", "handled", "handles" or "handling" as these terms are set forth in Title 29, Code of Federal Regulations, Section 2580.412-6.

3. The following replaces section **V. EXCLUSIONS, E. and G.**:

E. This policy does not cover loss resulting directly or indirectly from the diminution in value of **Property**, provided this exclusion will not apply to loss that is otherwise covered under this **Policy** and caused by a **Fiduciary's** acts of **Fraud or Dishonesty**.

G. This policy does not cover loss caused by:

1. the unauthorized access to, use of, or disclosure of confidential information including patents, trade secrets, processing methods, customer lists or beneficiary lists; or
2. the unauthorized access to, use of, or disclosure of confidential information or personal information of any customer, **Fiduciary**, beneficiary of an **Insured**, or any other person or entity, including financial information, credit card information or any other type of non-public information,

provided that this exclusion will not apply to loss that is otherwise covered under this **Policy**, caused by a **Fiduciary's** access to, use of, or disclosure of confidential or personal information to commit acts of **Fraud or Dishonesty**.

4. The following replaces section **VI. CONDITIONS, A. GENERAL CONDITIONS, 1.**:

1. Extended Period to Discover Loss

The Company will pay the **Insured** for loss that the **Insured** sustained prior to the effective date of cancellation or termination of this **Policy**, which is **Discovered** by the **Insured** during the **Policy Period** or within one year after the date of cancellation or termination of this **Policy**.

Notwithstanding the above, this Extended Period to Discover loss terminates immediately upon the effective date of any other insurance obtained by the entity sponsoring the Insured Plans or the **Insured** that offers the same coverage afforded by this **Policy** in an amount no less than the minimum amount required under ERISA section 412 and that provides coverage for loss sustained prior to its effective date.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, exclusions or limitations of the above-mentioned policy, except as expressly stated herein. This endorsement is part of such policy and incorporated therein.

CALIFORNIA CANCELLATION OR TERMINATION ENDORSEMENT

This endorsement changes the ERISA Fidelity Policy:

Policy Number: **106987508**

Issued By: **Travelers Casualty and Surety Company of America**

Issued To: **PILGRIM PLACE IN CLAREMONT**

Effective date: **September 27, 2018** 12:01 a.m.

Process date: **September 28, 2018**

It is agreed that:

1. The following is added to section **VI. CONDITIONS, C. CANCELLATION OR TERMINATION:**

POLICIES IN EFFECT FOR MORE THAN 60 DAYS

If this **Policy** has been in effect for more than 60 days, or is a renewal of a **Policy** the Company issued, the Company may cancel this **Policy** only upon the occurrence after the effective date of the **Policy** of one or more of the following:

1. nonpayment of premiums including payment due on a prior policy the Company issued and due during the current policy term covering the same risks;
2. discovery of fraud or material misrepresentation by:
 - a. the sponsoring entity or the **Insured** or the **Insured's** representative in obtaining this insurance; or
 - b. the sponsoring entity or the **Insured** or the **Insured's** representative in pursuing a claim under this **Policy**;
3. a judgment by a court or an administrative tribunal that the entity sponsoring the Insured Plans or the **Insured** has violated a California or Federal law, having as one of its necessary elements an act that materially increases any of the risks insured against;
4. discovery of willful or grossly negligent acts or omissions, or of any violations of state laws or regulations establishing safety standards, by the entity sponsoring the Insured Plans or the **Insured** or the **Insured's** representative, which materially increase any of the risks insured against;
5. failure by the entity sponsoring the Insured Plans or the **Insured** or the **Insured's** representative to implement reasonable loss control requirements, agreed to by the entity sponsoring the Insured Plans or the **Insured** as a condition of **Policy** issuance, or which were conditions precedent to the Company's use of a particular rate or rating plan, if that failure materially increases any of the risks insured against;
6. a determination by the Commissioner of Insurance that the:
 - a. loss of, or changes in, the Company's reinsurance covering all or part of the risk would threaten the Company's financial integrity or solvency; or
 - b. continuation of the **Policy** coverage would:
 - i. place the Company in violation of California law or the laws of the state where the Company is domiciled; or

- ii. threaten the Company's solvency;

or

- 7. a change by the entity sponsoring the Insured Plans or the **Insured** or the **Insured's** representative in the activities or property of the commercial or industrial enterprise, which results in a materially added, increased or changed risk, unless the added, increased or changed risk is included in the **Policy**.

The Company will mail or deliver advance written notice of cancellation, stating the reason for cancellation, to the sponsoring entity set forth in **ITEM 1** of the Declarations, and to the producer of record, at least:

- 1. 10 days before the effective date of cancellation if the Company cancels for a reason listed in paragraph 1. or 2. above; or
- 2. 30 days before the effective date of cancellation if the Company cancels for any other reason listed in paragraphs 3. – 7. above.

- 2. The following is added to section **VI. CONDITIONS**:

NONRENEWAL

- 1. Subject to the provisions of paragraph 2. below, if the Company elects not to offer to renew this **Policy**, the Company will mail or deliver written notice stating the reason for nonrenewal to the sponsoring entity set forth in **ITEM 1** of the Declarations and to the **Insured's** agent or broker of record, at least 60 days, but not more than 120 days, before the expiration or anniversary date.

The Company will mail or deliver the Company's notice to the sponsoring entity set forth in **ITEM 1** of the Declarations, and to the **Insured's** agent or broker of record, at the mailing address shown in the **Policy**.

- 2. The Company is not required to send notice of nonrenewal in the following situations:
 - a. if the transfer or renewal of a **Policy**, without any changes in terms, conditions, or rates, is between the Company and a member of the Company's insurance group;
 - b. if the **Policy** has been extended for 90 day or less, provided that notice has been given in accordance with paragraph 1. above;
 - c. if the entity sponsoring the Insured Plans or the **Insured** has obtained replacement coverage, or if the sponsoring entity set forth in **ITEM 1** of the Declarations or the **Insured** has agreed, in writing, within 60 days of the termination of the **Policy**, to obtain that coverage;
 - d. if the **Policy** is for a period of no more than 60 days and the entity sponsoring the Insured Plans or the **Insured** is notified at the time of issuance that it will not be renewed;
 - e. if the sponsoring entity set forth in **ITEM 1** of the Declarations or the **Insured** requests a change in the terms or conditions or risks covered by the **Policy** within 60 days of the end of the **Policy Period**; or
 - f. if the Company has made a written offer to the entity sponsoring the Insured Plans set forth in **ITEM 1** of the Declarations of the **Insured**, in accordance with the timeframes shown in Paragraph 1., to renew the **Policy** under changed terms or conditions or at an increased premium rate, when the increase exceeds 25%.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, exclusions or limitations of the above-mentioned policy, except as expressly stated herein. This endorsement is part of such policy and incorporated therein.



IMPORTANT NOTICE REGARDING COMPENSATION DISCLOSURE

For information about how Travelers compensates independent agents, brokers, or other insurance producers, please visit this website: www.travelers.com/w3c/legal/Producer_Compensation_Disclosure.html

If you prefer, you can call the following toll-free number: 1-866-904-8348. Or you can write to us at Travelers, Enterprise Development, One Tower Square, Hartford, CT 06183.

PILGRIM PLACE IN CLAREMONT

**Financial Statements for the
Years Ended December 31, 2020 and 2019
and
Independent Auditors' Report**



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PILGRIM PLACE IN CLAREMONT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pilgrim Place in Claremont

Report on the Financial Statements

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, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

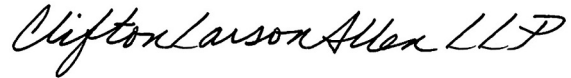
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

Board of Directors
Pilgrim Place in Claremont

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pilgrim Place for the years ended December 31, 2020 and 2019, and the results of its operations, changes in its net assets, its functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Glendora, California
April 20, 2021

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash and money market funds	\$ 9,087,777	\$ 8,265,729
Cash with trustee - bond principal and interest funds	946,845	946,242
Accounts receivable	733,179	792,447
Pledges receivable, net (Note 3)	-	49,026
Inventories	14,201	9,649
Prepaid expenses	442,007	423,055
Total Current Assets	<u>11,224,009</u>	<u>10,486,148</u>
Non-Current Assets:		
Cash with trustee - bond debt service reserve fund and project fund	1,165,711	2,837,618
Charitable remainder trusts (Note 4)	40,768	40,768
Investments (Note 5)	4,995,798	3,431,546
Restricted investments (Note 5)	11,649,174	9,992,270
Property, plant and equipment, net (Note 6)	49,344,604	48,750,988
Total Non-Current Assets	<u>67,196,055</u>	<u>65,053,190</u>
Total Assets	<u><u>\$ 78,420,064</u></u>	<u><u>\$ 75,539,338</u></u>
Liabilities		
Current Liabilities:		
Accounts payable	\$ 608,223	\$ 802,988
Salaries and benefits payable	892,716	646,481
Current portion Insured Senior Living Revenue Bonds (Note 10)	780,000	750,000
Current portion deferred revenue entrance fees	420,131	233,813
Deferred revenue other	300,000	-
Deposits and deferred revenue	787,368	848,538
Total Current Liabilities	<u>3,788,438</u>	<u>3,281,820</u>
Non-Current Liabilities		
Insured Senior Living Revenue Bonds (Note 10)	32,084,329	32,837,624
Annuities payable	409,211	497,291
Deferred revenue entrance fees	6,651,437	6,047,724
Deferred repayment entrance fees	4,057,514	4,243,832
Deferred revenue capital giving	8,354	13,099
Total Non-Current Liabilities	<u>43,210,845</u>	<u>43,639,570</u>
Total Liabilities	<u>46,999,283</u>	<u>46,921,390</u>
Net Assets		
Without donor restrictions	16,068,971	15,495,717
With donor restrictions (Note 11)	15,351,810	13,122,231
Total Net Assets	<u>31,420,781</u>	<u>28,617,948</u>
Total Liabilities and Net Assets	<u><u>\$ 78,420,064</u></u>	<u><u>\$ 75,539,338</u></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, 2020 and 2019

	2020	2019
Operating Revenues		
Independent living	\$ 7,148,870	\$ 6,920,841
Assisted living	2,206,927	2,463,319
Skilled nursing, net (Note 13)	5,723,668	7,245,662
Entrance fees - program	2,628,738	2,131,075
Other income - program	156,397	123,026
Net assets released from restrictions -		
Resident health and support programs supplements	694,856	734,359
Contributions - designated	(25,969)	40,724
Annual giving - designated	106,256	84,011
Total Operating Revenues	<u>18,639,743</u>	<u>19,743,017</u>
Operating Expenses		
Independent living	3,384,967	2,930,368
Assisted living and memory care	2,397,708	2,165,274
Memory care	66,268	-
Skilled nursing	7,101,822	6,987,783
General and administrative	1,983,008	1,949,032
Interest	1,537,257	1,492,802
Plant operations and maintenance	1,876,665	1,784,041
Fundraising	532,123	524,387
Total Operating Expenses Before Depreciation	<u>18,879,818</u>	<u>17,833,687</u>
Operating Income Before Depreciation and Other Revenue	<u>(240,075)</u>	<u>1,909,330</u>
Depreciation expense	2,566,075	2,450,761
Operating Loss	<u>(2,806,150)</u>	<u>(541,431)</u>
Other Revenues, Expenses, Gains and Losses		
Annual giving - undesignated	189,790	183,980
Bequests - undesignated	-	210
Investment returns, net	110,622	240,165
Realized and unrealized investment gains	722,712	620,642
Amortization of deferred revenue from capital gifts	4,745	7,860
COVID-19 - Payroll Protection Program Grant	1,824,875	-
COVID-19 - Provider Relief Fund Grant	376,379	-
Gifts - other capital projects and housing agreements	135,360	73,143
Net assets released from restrictions -		
Matured gift annuities	14,921	-
Total Other Revenues, Expenses, Gains and Losses	<u>3,379,404</u>	<u>1,126,000</u>
Excess of Revenue Over Expenses and		
Change in Net Assets Without Donor Restrictions	<u>\$ 573,254</u>	<u>\$ 584,569</u>

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, 2020 and 2019

	2020	2019
Net Assets Without Donor Restrictions		
Operating losses	\$ (2,806,150)	\$ (541,431)
Other revenues, gains	3,379,404	1,126,000
Change in Net Assets Without Donor Restrictions	<u>573,254</u>	<u>584,569</u>
Net Assets With Donor Restrictions		
Annual residents' festival - net revenue	178,250	188,031
Contributions	665,343	313,797
Investment returns, net	66,804	80,557
Realized and unrealized investment gains	1,937,468	1,676,894
Present value adjustment of gift annuities payable	91,491	77,569
Net assets released from restrictions -		
Resident health and support programs supplements	(494,856)	(534,359)
Resident health and support programs supplements - board allocation	(200,000)	(200,000)
Matured gift annuities	<u>(14,921)</u>	<u>-</u>
Change in Net Assets With Donor Restrictions	<u>2,229,579</u>	<u>1,602,489</u>
Change in Net Assets	2,802,833	2,187,058
Net Assets, Beginning of Year	<u>28,617,948</u>	<u>26,430,890</u>
Net Assets, End of Year	<u><u>\$ 31,420,781</u></u>	<u><u>\$ 28,617,948</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, 2020

	Program Services					Supporting Services				
	Independent Living	Assisted Living and Memory Care	Memory Care	Skilled Nursing	Total Program Services	General Administration	Plant Operations & Maintenance	Advancement	Total Supporting Services	Total Expenses 2020
Salaries and wages	\$ 1,179,192	\$ 987,399	\$ 29,189	\$ 3,231,522	\$ 5,427,302	\$ 1,168,438	\$ 830,206	\$ 314,036	\$ 2,312,680	\$ 7,739,982
COVID-19 overtime	138	53,111	-	60,476	113,725	115	-	4,085	4,200	117,925
COVID-19 salaries and wages	95,471	101,792	-	575,051	772,314	15,153	44,794	-	59,947	832,261
Pension	15,346	18,421	-	91,912	125,679	34,011	19,499	7,960	61,470	187,149
Employee benefits	317,258	264,680	9,710	597,746	1,189,394	125,686	219,467	33,730	378,883	1,568,277
Payroll taxes	108,881	91,130	1,837	334,629	536,477	69,031	70,634	26,170	165,835	702,312
Accounting fees	-	-	-	-	-	66,485	-	-	66,485	66,485
Beauty shop	-	-	-	2,627	2,627	-	-	-	-	2,627
Conferences and meetings	-	1,150	-	575	1,725	6,993	575	1,342	8,910	10,635
Contract services and food	178,667	572,367	-	875,737	1,626,771	-	-	-	-	1,626,771
COVID-19 direct expenses	428,740	-	-	-	428,740	-	-	-	-	428,740
Dues, licenses and taxes	1,848	10,609	-	84,260	96,717	86,779	3,574	11,699	102,052	198,769
Employment advertising	-	-	-	-	-	1,389	-	-	1,389	1,389
Equipment rental	5,500	6,977	-	14,897	27,374	16,904	6,570	-	23,474	50,848
Insurance	207,358	34,843	-	63,737	305,938	75	33,994	-	34,069	340,007
Legal fees	-	-	-	14,346	14,346	7,378	-	-	7,378	21,724
Medical supplies and equipmer	-	12,109	-	118,224	130,333	-	-	-	-	130,333
Postage	-	-	-	86	86	3,118	-	2,498	5,616	5,702
Printing	852	-	-	307	1,159	4,453	78	16,656	21,187	22,346
Professional services	-	-	-	217,447	217,447	9,889	-	-	9,889	227,336
Public relations	-	8,678	-	12,883	21,561	1,193	-	14,476	15,669	37,230
Purchased services	372,429	55,526	24,663	357,443	810,061	276,656	471,624	69,745	818,025	1,628,086
Repairs and maintenance	95,806	26,199	-	53,028	175,033	1,707	29,417	-	31,124	206,157
Resident activities	17,229	-	-	-	17,229	-	-	-	-	17,229
Staff development	-	796	-	597	1,393	5,145	-	955	6,100	7,493
Supplies and equipment	68,015	47,249	869	116,214	232,347	18,774	79,631	1,247	99,652	331,999
Telephone	13,734	8,654	-	33,054	55,442	20,953	13,079	-	34,032	89,474
Travel	6,533	-	-	2,644	9,177	150	7,857	-	8,007	17,184
Utilities	263,774	95,312	-	226,246	585,332	14,496	41,801	-	56,297	641,629
Miscellaneous expenses	8,192	706	-	16,134	25,032	28,037	3,865	27,528	59,430	84,462
Total expense before interest and depreciation	3,384,963	2,397,708	66,268	7,101,822	12,950,761	1,983,008	1,876,665	532,127	4,391,800	17,342,561
Interest External	-	-	-	-	-	1,502,587	-	-	1,502,587	1,502,587
Interest Internal	-	4,939	-	29,731	34,670	-	-	-	-	34,670
Total Interest	-	4,939	-	29,731	34,670	1,502,587	-	-	1,502,587	1,537,257
Depreciation	1,997,695	-	-	536,019	2,533,714	-	32,361	-	32,361	2,566,075
Total Expenses	\$ 5,382,658	\$ 2,402,647	\$ 66,268	\$ 7,667,572	\$ 15,519,145	\$ 3,485,595	\$ 1,909,026	\$ 532,127	\$ 5,926,748	\$ 21,445,893

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, 2019

	Program Services				Supporting Services				Total Expenses 2019
	Independent Living	Assisted Living and Memory Care	Skilled Nursing	Total Program Services	General Administration	Plant Operations & Maintenance	Advancement	Total Supporting Services	
Salaries and wages	\$ 1,286,008	\$ 987,203	\$ 3,162,704	\$ 5,435,915	\$ 968,738	\$ 762,098	\$ 325,724	\$ 2,056,560	\$ 7,492,475
Pension	16,465	19,404	76,721	112,590	26,829	16,748	10,547	54,124	166,714
Employee benefits	279,754	261,011	510,270	1,051,035	105,161	183,956	34,725	323,842	1,374,877
Payroll taxes	97,590	74,502	240,700	412,792	73,480	59,030	23,782	156,292	569,084
Accounting fees	-	-	-	-	63,189	-	-	63,189	63,189
Beauty shop	-	-	14,095	14,095	-	-	-	-	14,095
Conferences and meetings	-	4,498	2,828	7,326	19,836	1,811	4,140	25,787	33,113
Contract services and food	270,672	535,703	786,839	1,593,214	-	-	-	-	1,593,214
Dues, licenses and taxes	2,271	10,318	58,332	70,921	92,055	6,046	4,405	102,506	173,427
Employment advertising	-	-	(12,500)	(12,500)	494	-	-	494	(12,006)
Equipment rental	12,879	9,432	18,877	41,188	20,346	8,603	-	28,949	70,137
Insurance	189,214	31,794	58,160	279,168	-	31,019	-	31,019	310,187
Legal fees	-	-	-	-	18,200	-	-	18,200	18,200
Loan costs, amortization	-	-	-	-	87,073	-	-	87,073	87,073
Medical supplies and equipmer	-	15,466	148,175	163,641	-	-	-	-	163,641
Postage	-	-	24	24	7,224	-	3,243	10,467	10,491
Printing	-	210	962	1,172	1,033	5,603	18,448	25,084	26,256
Professional services	-	-	1,183,653	1,183,653	25,602	-	-	25,602	1,209,255
Public relations	-	14,010	24,512	38,522	7,696	-	9,701	17,397	55,919
Purchased services	261,322	35,294	205,090	501,706	348,219	535,292	34,455	917,966	1,419,672
Repairs and maintenance	129,703	22,728	88,053	240,484	2,336	39,359	-	41,695	282,179
Resident activities	20,417	-	-	20,417	-	-	-	-	20,417
Staff development	-	398	742	1,140	5,076	1,584	-	6,660	7,800
Supplies and equipment	159,560	47,206	193,939	400,705	16,703	74,091	3,674	94,468	495,173
Telephone	11,364	7,718	27,237	46,319	17,386	10,801	-	28,187	74,506
Travel	174	-	-	174	1,986	5,314	-	7,300	7,474
Utilities	183,125	88,314	178,464	449,903	11,192	42,325	-	53,517	503,420
Miscellaneous expenses	9,850	65	19,906	29,821	29,180	361	51,543	81,084	110,905
Total expense before interest and depreciation	2,930,368	2,165,274	6,987,783	12,083,425	1,949,034	1,784,041	524,387	4,257,462	16,340,887
Interest External	-	-	-	-	1,411,296	-	-	1,411,296	1,411,296
Interest Internal	-	15,142	66,362	81,504	-	-	-	-	81,504
Total Interest	-	15,142	66,362	81,504	1,411,296	-	-	1,411,296	1,492,800
Depreciation	1,997,543	-	426,247	2,423,790	-	26,971	-	26,971	2,450,761
Total Expenses	<u>\$ 4,927,911</u>	<u>\$ 2,180,416</u>	<u>\$ 7,480,392</u>	<u>\$ 14,588,719</u>	<u>\$ 3,360,330</u>	<u>\$ 1,811,012</u>	<u>\$ 524,387</u>	<u>\$ 5,695,729</u>	<u>\$ 20,284,448</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, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Cash received from resident fees	\$ 11,824,215	\$ 11,962,773
Cash received from community fees	3,577,953	5,551,609
Cash received from entrance fees	3,232,450	2,526,427
Cash received from other operating activities	178,250	188,031
Contributions	1,080,701	673,180
Investment income received	110,622	239,217
Interest payments	(1,478,582)	(1,504,982)
Cash paid to suppliers and employees	(14,773,237)	(16,161,781)
Net cash provided by operating activities	<u>3,752,372</u>	<u>3,474,474</u>
Cash Flows from Investing Activities		
Purchase of investments	(522,710)	(253,664)
Reinvested interest earnings	(236,635)	-
Proceeds from sale of investments	527,775	114,633
Acquisition of property and equipment	(3,024,330)	(3,428,309)
Net cash used by non-capital financing activities	<u>(3,255,900)</u>	<u>(3,567,340)</u>
Cash Flows From Capital and Related Financing Activities		
Payment on promissory notes	(508,076)	(490,000)
Payment on insured senior living revenue bonds	(750,000)	(720,000)
Payments on annuity obligations	(78,321)	(89,531)
Proceeds from matured charitable remainder trust	-	24,750
Proceeds (payments) from contributions restricted for:		
Investment in plant	(9,331)	11,147
Net cash used by capital and financing activities	<u>(1,345,728)</u>	<u>(1,263,634)</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	(849,256)	(1,356,500)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>12,049,589</u>	<u>13,406,089</u>
Cash, Cash Equivalents, and Restricted Cash - End of Year	<u>\$ 11,200,333</u>	<u>\$ 12,049,589</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, 2020 and 2019

	2020	2019
Cash Provided by Operating Activities		
Change in net assets	\$ 2,802,833	\$ 2,187,058
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Actuarial adjustment of annuity obligation	(91,491)	(77,569)
Amortization of capitalized fees	87,073	87,073
Amortization of bond premium	(60,367)	(60,367)
Amortization of deferred revenue from capital gifts	(4,745)	(7,860)
Amortization of entrance fees	(2,628,738)	(2,131,075)
Contributions restricted for long term purposes	(135,360)	(73,146)
Depreciation expense	2,566,075	2,450,761
Realized and unrealized loss on investments	(2,649,442)	(2,297,536)
Changes in operating assets and liabilities:		
Accounts receivable	68,596	637,197
Pledges receivable	49,026	47,785
Inventory	(4,551)	(1,470)
Prepaid expense	(18,952)	(105,699)
Accounts payable	54,900	(124,993)
Salaries and benefits payable	246,235	66,721
Deposits and deferred revenue	3,471,280	2,877,594
Net cash provided by operating activities	<u>\$ 3,752,372</u>	<u>\$ 3,474,474</u>
 Cash and money market funds		
Cash and money market funds	\$ 8,792,544	\$ 8,005,417
Restricted cash and money market funds	295,233	260,312
Total cash and money market funds	<u>9,087,777</u>	<u>8,265,729</u>
Cash with trustee - bond principal and interest funds	<u>946,845</u>	<u>946,242</u>
Cash with trustee - bond debt service reserve fund and project fund		
Cash with trustee - bond debt service reserve fund	1,114,344	1,115,751
Cash with trustee - bond project fund	51,367	1,721,867
Total cash with trustee - bond debt service reserve fund and project fund	<u>1,165,711</u>	<u>2,837,618</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 11,200,333</u>	<u>\$ 12,049,589</u>

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

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Pilgrim Place in Claremont (Pilgrim Place) was incorporated in 1915 as a not-for-profit 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 non-profit 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 320 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 \$4,255,718 and \$3,471,129 as of December 31, 2020 and 2019, 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 not-for-profit 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, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Operating Margin – Operating margin is used to measure the amount of program service expenses covered by total support and revenue for net assets without donor restrictions. Operating margin excludes support services and investment income as well as certain items such as net assets transfers, receipt of restricted contributions, and contributions on long-lived assets. For the year ended December 31, 2020, total program service expenses exceeded total program support and revenue by \$0.440 million, and for the year ended December 31, 2019, total support and revenue exceeded program service expenses by \$2.041 million.

Excess of Revenues Over Expenses - The statement of operations includes excess of revenues over expenses. 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, 2020 and 2019, Days Cash on Hand was 274 days and 241 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 non-current 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.

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts and Pledges Receivable – Accounts receivable represent amounts due from residents and third-party payers 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 investments in debt securities are reported at their fair values in the statement of financial position (see Note 5).

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, 2020 and 2019, Pilgrim Place had cash balances in various financial institutions that exceed the Federal Depository Insurance Limits (FDIC) by \$7,542,314 and \$7,560,977, 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, 2020, 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.

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 \$6,576,437 and \$5,910,432 as of December 31, 2020 and 2019, respectively.

Entrance fees paid by a resident upon entering into a 90% Deferred Repayment Care and Residence Agreement are recorded as deferred revenue with ten percent 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 \$4,057,514 and \$4,477,644 as of December 31, 2020 and 2019, respectively. Unamortized entrance fees on the 10% portion totaled \$1,380 and \$14,591 as of December 31, 2020 and 2019, respectively. 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 \$73,620 and \$122,701 and as of December 31, 2020 and 2019, 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.

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management believes the estimated amount of entrance fees that are expected to be refunding to current residents from the terms of these agreements was \$420,131 and \$233,813 for the year ended December 31, 2020 and 2019, 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 non-profit 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 Health and Support Program. Funds released from net assets from gifts to subsidize this program were \$694,856 and \$734,359 for the years ended December 31, 2020 and 2019, 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 was \$676,381. The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. At December 31, 2020, Pilgrim Place recognized \$376,379 as other revenue in the statement of operations and \$300,000 as deferred revenue in the statement of net position. Management believes the amounts have been recognized appropriately as of December 31, 2020.

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, 2020 and 2019, 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 IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 both years was 3.0%. 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 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 restricted support 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 restricted are reclassified as net assets without donor restricted 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 restricted.

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.

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The objective of this ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. This ASU codifies FASB Accounting Standards Codification (ASC) 842, Leases, and makes conforming amendments to other FASB ASC topics. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

In applying the provisions of the standard, management evaluated lease commitments and determined that as of December 31, 2020 total future lease payments were immaterial to the financial statements. Therefore, operating leases have not been recorded in the statement of financial position.

Risks and Uncertainties

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Pilgrim Place, COVID-19 has impacted fiscal year 2020 operations and financial results and may continue to do so including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes Pilgrim Place is taking appropriate actions to mitigate the negative impact. In addition, Pilgrim Place has received emergency relief of \$2,501,254 in combined PRF funding as previously described, and a Paycheck Protection Program Loan as discussed in Note 17. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2020.

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' financial statements.

Subsequent event

In 2020, Pilgrim Place has completed two Memory Care Houses. The "first" house converted an existing single residence into a six-unit memory care home. The "second" house has the highest potential impact on operating cash flows from the addition of up to six occupants. The "second" memory care House was new construction for Memory Care uses and was fully funded by the 2016 Bond refinancing and new borrowing. While Pilgrim Place has incurred

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

some minimal operational expenses related to the opening of Memory Care in 2020, Pilgrim Place expects both homes and the twelve beds to come online in 2021 for revenue generation.

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:

	2020	2019
Cash and money market funds	\$ 9,087,777	\$ 8,265,729
Minus restricted cash and money market funds	(295,233)	(260,312)
Cash with trustee - bond principal and interest funds	946,845	946,242
Accounts receivable	733,179	792,447
Pledges receivable	-	80,703
Inventories	14,201	9,649
Total liquid assets available for operations	<u>\$ 10,486,769</u>	<u>\$ 9,834,458</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 \$4,255,718 and \$3,471,129 as of December 31, 2020 and 2019, respectively, is subject to an annual spending rate of 5% as described in Note 12. Although we do 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 our liquidity management plan, we invest cash 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 \$4,579,804 and \$3,567,817, as of December 31, 2020 and 2019, respectively.

NOTE 3: PLEDGES RECEIVABLE

Unconditional promises to give related to the Napier and Centennial Campaign at December 31, 2020 and 2019 are as follows:

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 3: PLEDGES RECEIVABLE

	2020	2019
Receivable - less than one year	\$ -	\$ 80,703
Receivable - one to five years	-	-
Gross unconditional pledges	-	80,703
Less: present value discount	-	(31,677)
Pledges receivable, net	<u>\$ -</u>	<u>\$ 49,026</u>

Pledges receivable have been discounted to present value using a discount rate of 2.5% in 2019.

NOTE 4: 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, 2020 and 2019, respectively, Pilgrim Place managed a total of \$562,164 and \$725,667 in assets under this program. Management has interpreted the agreements to require investment of the entire contract amount until the 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 ten 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, 2020 and 2019 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 5: 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.

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 5: INVESTMENTS

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
General Fund:				
Equity securities (Level 1)	\$ 63,800	\$ 98,690	\$ 63,117	\$ 77,453
Land	45,000	45,000	45,000	45,000
	<u>108,800</u>	<u>143,690</u>	<u>108,117</u>	<u>122,453</u>
Gift Annuity Fund:				
Cash and cash equivalents	56,233	56,232	112,901	112,901
Equity securities (Level 1)	155,566	370,717	210,053	210,621
Fixed Income (Level 1)	134,861	135,215	186,998	402,145
	<u>346,660</u>	<u>562,164</u>	<u>509,952</u>	<u>725,667</u>
Endowment Fund:				
Cash and cash equivalents	455,793	455,793	312,154	312,154
Equity securities (Level 1)	7,447,506	12,080,641	6,966,626	9,045,561
Fixed Income (Level 1)	326,844	341,176	2,901,327	2,981,581
Fixed Income (Level 2)	2,648,908	2,723,062	-	-
Limited Partnership (Level 2)	86,816	86,816	-	-
Other Assets (Level 1)	190,570	251,630	155,634	236,400
	<u>11,156,437</u>	<u>15,939,118</u>	<u>10,335,741</u>	<u>12,575,696</u>
Total investments	<u>\$ 11,611,897</u>	<u>\$ 16,644,972</u>	<u>\$ 10,953,810</u>	<u>\$ 13,423,816</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:

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.

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.

Investment return and a schedule of net realized and unrealized gains for the years ended December 31, 2020 and 2019 are as follows:

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 5: INVESTMENTS

	2020	2019
Investment return, net of expenses of \$127,775 and \$114,633, respectively	\$ 177,426	\$ 320,722
Net realized and unrealized gain (loss):		
Opportunity fund	11,895	22,278
Gift Annuity fund	82,006	104,283
Endowment and Specific Purpose Funds	2,648,285	2,275,258

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

No capitalized interest was included in construction in progress for December 31, 2020 and 2019. Depreciation expense for the years ended December 31, 2020 and 2019 was \$2,566,075 and \$2,450,761 respectively.

A summary of property and equipment at December 31, 2020 and 2019 follows:

	2020	2019
Capital assets not being depreciated:		
Land	\$ 1,529,334	\$ 1,529,334
Museum collection	490,988	490,988
Construction in progress	5,218,682	5,108,419
Total capital assets not being depreciated	7,239,004	7,128,741
Capital assets being depreciated:		
Permanent grounds improvement	1,112,635	1,112,634
Housing and central plant	75,407,454	72,691,120
Equipment	7,129,080	6,795,987
Total capital assets being depreciated	83,649,169	80,599,741
Less accumulated depreciation	(41,543,569)	(38,977,494)
Depreciable assets, net	42,105,600	41,622,247
Property, plant and equipment, net	\$ 49,344,604	\$ 48,750,988

NOTE 7: 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 bears interest at a variable rate based upon a five-year treasury note yield as of each July 31st. Interest is due quarterly beginning September 1999 upon completion of the project. No principal payments had been made on this note from 2009 and through 2019. A payment of \$508,076 was made during 2020. The Board of Directors is in the process of evaluating the future pay off

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 7: INTER-FUND BORROWING

and repayment of this note. The outstanding balance at December 31, 2020 and 2019 was \$131,924 and \$640,000 respectively.

There was no accrued interest payable to the Endowment Fund for the year ended December 31, 2020. Accrued interest payable to the Endowment Fund for the year ended December 31, 2019 was \$15,142.

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 five-year treasury note yield. Interest is due quarterly beginning March 2008 upon the completion of the project. No principal payments have been made on this note since 2009. The Board of Directors is in the process of evaluating the pay off and repayment of this note. The outstanding balance at December 31, 2020 and 2019 was \$2,805,000.

There was no accrued interest payable to the Endowment Fund for the year ended December 31, 2020. Accrued interest payable to the Endowment Fund for the year ended December 31, 2019 was \$66,363.

Inter-fund Borrowing Elimination:

Inter-fund borrowing transactions are not reflected in the financial statements as U.S. generally accepted accounting principles require inter-fund activity to be eliminated. For 2020 and 2019, outstanding balances on inter-fund borrowing totaling \$2,936,924 and \$3,445,000 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 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 8: PROMISSORY NOTES

In December 2015 and January 2016, Pilgrim Place issued unsecured promissory notes, as allowed by the Commissioner of Corporations of the State of California, to its residents and supporters to finance structural upgrades to Porter Hall. The notes pay interest at a rate of 3.0% per annum; interest is due annually beginning January 2017. The principal was due on or before January 15, 2019. There is no outstanding balance at December 30, 2019.

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 9: 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 \$187,149 and \$166,715 for the years ended December 31, 2020 and 2019, 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 10: 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 defeased 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 amounts in the debt service reserve fund was \$1,114,344 and \$1,115,751, at December 31, 2020 and 2019, respectively. Pilgrim Place has complied with the various covenants, conditions and restrictions required by the regulatory agreement.

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, 2020, the principal and interest fund was \$946,845 and the outstanding debt was \$33,575,000. At December 31, 2019, the principal and interest fund was \$946,242 and the outstanding debt was \$34,325,000.

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 10: INSURED SENIOR LIVING REVENUE BONDS

As of December 31, 2020 and 2019, \$51,367 and \$1,721,868, 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 year ended December 31, 2020 and 2019 was \$87,073 each year. At December 31, 2020 and 2019, the unamortized issuance costs was \$1,789,695 and \$1,876,768, 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 year ended December 31, 2020 and 2019 was \$60,367 each year. At December 31, 2020 and 2019, the unamortized bond premium was \$1,079,024 and \$1,139,392, respectively.

Required payments are as follows:

Year Ending December 31,	Principal	Interest
2021	780,000	1,430,281
2022	810,000	1,398,481
2023	845,000	1,365,381
2024	880,000	1,330,881
2025	915,000	1,290,406
Thereafter	<u>29,345,000</u>	<u>13,995,872</u>
Total	33,575,000	\$ 20,811,302
Issuance costs	(1,789,695)	
Premium on bonds	<u>1,079,024</u>	
Total bonds payable	<u>\$ 32,864,329</u>	

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 11: NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Subject to expenditure for specific purpose:		
Memory care unit	\$ 614,451	\$ 345,685
Resident committee funds	217,557	198,582
Subject to appropriation and expenditure when a specific event occurs:		
Split interest agreements - annuities	180,285	105,694
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 \$6,736,175 and \$6,433,888, respectively), the income from which is expendable to support:		
Resident supplements	10,242,883	8,444,591
Napier endowment	322,287	262,923
Undesignated endowment	2,561,447	2,551,854
Health Services Center support	774,751	774,751
Independent rental supplements	291,975	291,975
General operations	73,621	73,623
Petterson Museum of Intercultural Art	31,785	31,785
	<u>\$ 15,351,810</u>	<u>\$ 13,122,231</u>

NOTE 12: 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 U.S. generally accepted accounting principles, 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.

In making a determination to appropriate or accumulate donor-restricted endowment funds,

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 12: ENDOWMENT

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.

Endowment Net Asset Composition by Type of Fund as of December 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 11,783,037	\$ 11,783,037
Board designated endowment funds-borrowed	2,936,924	-	2,936,924
Board and undesignated endowment	1,318,794	2,779,639	4,098,433
	<u>\$ 4,255,718</u>	<u>\$ 14,562,676</u>	<u>\$ 18,818,394</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 9,973,100	\$ 9,973,100
Board designated endowment funds-borrowed	3,445,000	-	3,445,000
Board and undesignated endowment	26,129	2,551,854	2,577,983
	<u>\$ 3,471,129</u>	<u>\$ 12,524,954</u>	<u>\$ 15,996,083</u>

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 12: ENDOWMENT

Changes in Endowment Net Assets for the Year Ended December 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 3,471,129	\$ 12,524,954	\$ 15,996,083
Investment return:			
Internal loan investment return	52,340	-	52,340
Investment return, net of expenses	9,537	66,804	76,341
Net depreciation (realized and unrealized)	722,712	1,925,573	2,648,285
Total investment return	784,589	1,992,377	2,776,966
Other changes:			
Contributions	-	201,590	201,590
Matured gift annuities	-	43,755	43,755
Distributions	508,076	(200,000)	308,076
Prom note repayments	(508,076)	-	(508,076)
Total other changes	-	45,345	45,345
Endowment net assets, end of year	\$ 4,255,718	\$ 14,562,676	\$ 18,818,394

Changes in Endowment Net Assets for the Year Ended December 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 2,744,346	\$ 10,828,186	\$ 13,572,532
Investment return:			
Internal loan investment return	81,505	-	81,505
Investment return, net of expenses	24,636	84,986	109,622
Net depreciation (realized and unrealized)	620,642	1,654,616	2,275,258
Total investment return	726,783	1,739,602	2,466,385
Other changes:			
Contributions	-	124,015	124,015
Matured gift annuities	-	33,151	33,151
Distributions	-	(200,000)	(200,000)
Total other changes	-	(42,834)	(42,834)
Endowment net assets, end of year	\$ 3,471,129	\$ 12,524,954	\$ 15,996,083

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 13: PATIENT SERVICE REVENUE

Patient service revenue at December 31, 2020 and 2019 is as follows:

	2020	2019
Skilled nursing	\$ 7,030,152	\$ 8,859,129
Less write offs	(213,947)	(104,853)
Less contractual provisions	(1,092,537)	(1,508,614)
Skilled nursing, net	<u>\$ 5,723,668</u>	<u>\$ 7,245,662</u>

NOTE 14: 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.

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, 2020 and 2019, \$51.4 thousand and \$1.7million, respectively, were available for construction.

As of December 31, 2020, \$8.9 million of proceeds had been used for construction costs. During the year ended December 31, 2020, \$750 thousand of principal had been paid and \$1.5 million in interest payments were made.

As of December 31, 2019, \$7.2 million of proceeds had been used for construction costs. During the year ended December 31, 2019, \$720 thousand of principal had been paid and \$1.7 million in interest payments were made.

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 14: REDEVELOPMENT PLAN OBLIGATION (AB 1169 DISCLOSURE)

Porter Hall: As discussed in Note 8, the promissory note debt issuance of \$490,000 was obtained for the Porter Hall renovation project. Construction on this project began in 2016 and was completed in 2017.

As of December 31, 2017, \$490,000 of the proceeds had been used for construction costs. For the year ended December 31, 2019, the principal payment of \$490,000 and \$14,700 in interest payments were paid.

NOTE 15: 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 16: 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 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. 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.

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

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 16: RESIDENT CARE SERVICE REVENUE

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 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). The 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. The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. Effective Oct. 1, 2019, under PDPM, the presumption of skilled coverage concept will continue but will be modified for various PDPM classifications. PDPM also includes a "Variable Per Diem (VPD) adjustment" that adjusts the per diem rate over the course of the stay. CMS' new Patient-Driven Payment Model (PDPM) doesn't change Medicare's basic requirements for skilling a resident. However, due to the change in resident care classifications, the rule specifies the new PDPM categories that will qualify for the presumption of skilled coverage. The new model focuses less on the number of therapy minutes and more on residents' clinical characteristics.

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 16: RESIDENT CARE SERVICE REVENUE

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 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 2020 or 2019.

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.

PILGRIM PLACE IN CLAREMONT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 17: Paycheck Protection Program (PPP)

On April 27, 2020 Pilgrim Place received proceeds in the amount of \$1,824,875 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The PPP Loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. Pilgrim Place recognized \$1,824,875 of other revenue related to this agreement during the year ended December 31, 2020, which represents, in whole, the PPP Loan funds for which the performance barriers have been met. In addition, on December 29, 2020 the SBA formally forgave Pilgrim Place's obligation under this PPP Loan through the remittance to the lender of record the payment of the loan principal and accrued interest.

PILGRIM PLACE IN CLAREMONT
STATE OF CALIFORNIA
CONTINUING CARE RESERVE REPORT

For the Fiscal Year Ended December 31, 2020
and
Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pilgrim Place in Claremont

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 as of and for the year ended December 31, 2020 and the notes to the financial statement.

Management's Responsibility for the Continuing Care Reserve Report

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

Auditors' Responsibility

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

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

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

Opinion

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, 2020, in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

Basis of Accounting

The continuing care reserve report is prepared for the purpose of complying with the California Health and Safety Code Section 1792 and is not intended to be a complete presentation of 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.

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 23, 2021

FORM 1-1
RESIDENT POPULATION

<u>LINE</u>	<u>CONTINUING CARE RESIDENTS</u>	<u>TOTAL</u>
1	NUMBER AT BEGINNING OF FISCAL YEAR	324
2	NUMBER AT END OF FISCAL YEAR	321
3	TOTAL LINES 1 AND 2	645
4	MULTIPLY LINE 3 BY ".50" AND ENTER RESULT ON LINE 5	x.50
5	MEAN NUMBER OF CONTINUING CARE RESIDENTS	323
ALL RESIDENTS		
6	NUMBER AT BEGINNING OF FISCAL YEAR	358
7	NUMBER AT END OF FISCAL YEAR	337
8	TOTAL LINES 6 AND 7	695
9	MULTIPLY LINE 8 BY ".50" AND ENTER RESULT ON LINE 10	x.50
10	MEAN NUMBER OF ALL RESIDENTS	348
11	DIVIDE LINE 5 BY LINE 10 AND ENTER THE RESULT	0.93

FORM 1-2
ANNUAL PROVIDER FEE

<u>LINE</u>	<u>TOTAL</u>
1	TOTAL OPERATING EXPENSES 21,445,893
a	DEPRECIATION 2,566,075
b	DEBT SERVICE(INTEREST ONLY) 1,502,587
2	SUBTOTAL (add Line 1a and 1b) 4,068,662
3	SUBTRACT LINE 2 FROM LINE 1 AND ENTER RESULT 17,377,231
4	PERCENTAGE ALLOCATED TO CONTINUING CARE RESIDENT (LINE11) 0.93
5	TOTAL OPERATING EXPENSE OF CONTINUING CARE RESIDENTS
	MULTIPLY LINE 3 BY LINE 4 16,160,825
6	TOTAL AMOUNT DUE (LINE 5 BY .001) 16,161
<u>PROVIDER: PILGRIM PLACE IN CLAREMONT</u>	
<u>COMMUNITY: SAME AS ABOVE</u>	

**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	508,076	34,670	0	542,746
2	11/1/2016	750,000	1,502,587	0	2,252,587
3					0
4					
5					
6					
7					
8					
TOTAL			1,537,257		2,795,333

(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 12/31/20.
Principle payments on internal debt are not required; however, \$508,076 was paid in 2020.

**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)	2,795,333
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><u>2,795,333</u></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>21,445,893</u>
2	DEDUCTIONS		
a	INTEREST PAID ON LONG-TERM DEBT	<u>1,537,257</u>	
b	CREDIT ENHANCEMENT PREMIUMS PAID FOR LONG-TERM DEBT	<u>-</u>	
c	DEPRECIATION	<u>2,566,075</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>3,577,953</u>	{See attached schedule}
f	EXTRAORDINARY EXPENSES APPROVED BY THE DEPARTMENT	<u>-</u>	
3	TOTAL DEDUCTIONS		<u>7,768,358</u>
4	NET OPERATING EXPENSES		<u>13,677,535</u>
5	DIVIDE LINE 4 BY 365 AND ENTER THE RESULT		<u>37,473</u>
6	MUTIPLY LINE 5 BY 75 AND ENTER THE RESULT		
	THIS IS THE PROVIDER'S OPERATING EXPENSE RESERVE AMT		<u><u>2,810,475</u></u>

PROVIDER: PILGRIM PLACE IN CLAREMONT

COMMUNITY: SAME AS ABOVE

**PILGRIM PLACE HEALTH SRVS CTR
REVENUE ACCOUNTS
2020**

PAYOR	COMMUNITY	PILGRIM	TOTAL
IVHP	\$602,377	\$190,686	\$793,063
MEDI-CAL	\$1,137,391	\$510,944	\$1,648,335
MEDICARE	\$858,306	\$47,472	\$905,778
PRIVATE	\$979,879	\$1,396,613	\$2,376,492
TOTAL	\$3,577,953	\$2,145,715	\$5,723,668

Note: Total revenue of \$7,245,662 agrees with skilled nursing revenue on page 4 of the 2020 audited financial statements.

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

PROVIDER NAME: PILGRIM PLACE IN CLAREMONT
FISCAL YEAR ENDED: 12/31/2020

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2020, 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>2,795,333</u>
2	OPERATING EXPENSE RESERVE AMOUNT	<u>2,810,475</u>
3	TOTAL LIQUID RESERVE AMOUNT	<u>5,605,808</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>4,543,889</u>	<u>4,543,888</u>
5	INVESTMENT SECURITIES	<u>-</u>	<u>-</u>
6	EQUITY SECURITIES	<u>-</u>	<u>4,995,798</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>1,114,344</u>	<u>-</u>

OTHER:
(DESCRIBE)

TOTAL AMOUNT OF QUALIFYING ASSETS LISTED FOR RESERVE OBLIGATION:	11	<u>5,658,233</u>	12	<u>9,539,686</u>
RESERVE OBLIGATION AMOUNT	13	<u>2,795,333</u>	14	<u>2,810,475</u>
SURPLUS / (DEFICIENCY)	15	<u>2,862,900</u>	16	<u>6,729,211</u>

SIGNATURE:



AUTHORIZED REPRESENTATIVE

DATE 4/27/2021

Chief Financial Officer

TITLE

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	4,543,889	4,543,888	Unrestricted cash and money market funds per statement of financial position.
Investment Securities	-	-	
Equity Securities	-	4,995,798	Unrestricted equity investments per statement of financial position.
Unused Line of Credit	-	-	Unused operational line of credit.
Debt Service Reserve	1,114,344	-	Debt service in trust account per statement of financial position.
Total Qualifying Assets as Filed	5,658,233	9,539,686	
Debt Service Reserve			
Reservations and Designations:	2,795,333	2,810,475	
Remaining Liquid Reserves	<u>2,862,900</u>	<u>6,729,211</u>	
Benevolence Endowment		10,172,110	Restricted for Residents Health & Support Program

Per Capital Cost of Operations

Operating Expenses (Form 5-4, line #1)	21,445,893
Mean # of CCRC Residents (Form 1-1, line #10)	348
Per Capita Cost of Operations	61,626

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2,181 - \$5,610</u>	<u>\$3,101 - \$7,530</u>	<u>\$10,737 - \$18,919</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.00%</u>	<u>3.00%</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, 2020
(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:** 11/29/2019 **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:** 11/14/19
- ☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- ☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases. **Date of Notice:** 10/28/19
- ☒ 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:** 10/28/19 **Location of Posting:** Resident Portal, Library, Assisted Living

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

PROVIDER: _____
COMMUNITY: _____

**FORM 7-1 MONTHLY CARE FEE INCREASE (MCFI)
ANNUAL REPORTING FISCALYEAR (F/Y) 2020**

		\$000		
		2018	2019	2020
1	F/Y 2018 Operating Expenses ¹	(17,551)		
2	F/Y 2019 Operating Expenses ¹ (Adjustments ³ if any, Explained Bbelow)		(17,834)	
3	Projected F/Y 2020 Results of Operations ² (Adjustments ³ if any, Explained Below)			(18,880)
4	F/Y 2020 Anticipated MCF IL Revenue ² Based on Current and Projected Occupancy and Other ⁴ without a MCFI			7,137
5	F/Y 2020 Anticipated MCF AL Revenue ² Based on Current and Projected Occupancy and Other ⁴ without a MCFI			2,533
6	F/Y 2020 Anticipated MCF SNF Revenue ² Based on Current and Projected Occupancy and Other ⁴ without a MCFI			7,485
7	Projected F/Y 2020 (Net) Operating Results ² without a MCFI (Line 3 plus Lines 4,5,6)			(1,725)
8	Projected F/Y 2020 IL Anticipated Revenue Based on Current and Projected Occupancy and Other ⁴ with MCFI 3.0%			7,285
9	Projected F/Y 2020 AL Anticipated Revenue Based on Current and Projected Occupancy and Other ⁴ with MCFI 3.0%			2,626
10	Projected F/Y 2020 SNF Anticipated Revenue Based on Current and Projected Occupancy and Other ⁴ with MCFI 5.0%			7,859
11	Grand Total - Projected FY 2020 Net Operating Activity After MCFI (Line 3 plus Lines 8,9,10)			(1,110)
Calculated Monthly Care Fee Increase				3.58%

-
- 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

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 2020 for increases in expense are: general liability and insurance costs, legal and professional fees, purchase services (IT, payroll, security, water management), two new positions: an IL Social Worker and Resident IT Helpdesk, a minimum wage adjustment and our annual salary pool and fringe benefits. In 2020, the percentage increases were 3.00% for IL, 3.00% for AL, and 5% for SNF.

Continuing Care Retirement Community Disclosure Statement

Date Prepared: 04/23/2021

FACILITY NAME: Pilgrim Place In Claremont

ADDRESS: 625 Mayflower Road

ZIP CODE: 91711

PHONE: 909-399-5500

PROVIDER NAME: Same As Above

FACILITY OPERATOR: Same As Above

RELATED FACILITIES: None

RELIGIOUS AFFILIATION: None

YEAR # OF ☐ SINGLE ☐ MULTI-
OPENED: 1915 ACRES: 32 STORY STORY ☐ OTHER: Both

MILES TO SHOPPING CTR: 1
MILES TO HOSPITAL: 2

NUMBER OF UNITS:

RESIDENTIAL LIVING

APARTMENTS — STUDIO: _____

APARTMENTS — 1 BDRM: 51

APARTMENTS — 2 BDRM: 102

COTTAGES/HOUSES: 34

RLU OCCUPANCY (%) AT YEAR END: 86

HEALTH CARE

ASSISTED LIVING: 57

SKILLED NURSING: 62

SPECIAL CARE: _____

DESCRIPTION: > _____

TYPE OF OWNERSHIP:

☒ NOT-FOR-PROFIT

☐ FOR-PROFIT

ACCREDITED?: ☐ YES ☒ NO BY: _____

FORM OF CONTRACT:

☒ CONTINUING CARE

☐ LIFE CARE

☒ ENTRANCE FEE

☒ FEE FOR SERVICE

(Check all that apply)

☐ ASSIGNMENT OF ASSETS

☐ EQUITY

☐ MEMBERSHIP

☒ RENTAL

REFUND PROVISIONS:

(Check all that apply)

☐ Refundable

☒ Repayable

☐ 90%

☐ 75%

☒ 50%

☒ OTHER: Fully Amortized

RANGE OF ENTRANCE FEES: \$ 142,465

- \$ 908,217

LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT:

Access to SNF with discount, clinic, enhanced care, and emergency response

ENTRY REQUIREMENTS: MIN. AGE: 60

PRIOR PROFESSION: Religious or Non-Profit

OTHER: _____

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD:

(briefly describe provider's compliance and residents' roles) > Six members of the twenty-one member board of directors

> are residents with full participation. Five have voting rights and one is non-voting.

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="radio"/>	<input checked="" type="radio"/>	HOUSEKEEPING (____ TIMES/MONTH)	<input type="radio"/>	<input checked="" type="radio"/>
BILLIARD ROOM	<input type="radio"/>	<input type="radio"/>	MEALS (1-3 /DAY)	<input checked="" type="radio"/>	<input checked="" type="radio"/>
BOWLING GREEN	<input type="radio"/>	<input type="radio"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="radio"/>	<input type="radio"/>
CARD ROOMS	<input type="radio"/>	<input type="radio"/>			
CHAPEL	<input type="radio"/>	<input type="radio"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="radio"/>	<input type="radio"/>
COFFEE SHOP	<input checked="" type="radio"/>	<input checked="" type="radio"/>	ACTIVITIES PROGRAM	<input checked="" type="radio"/>	<input type="radio"/>
CRAFT ROOMS	<input type="radio"/>	<input type="radio"/>	ALL UTILITIES EXCEPT PHONE	<input type="radio"/>	<input checked="" type="radio"/>
EXERCISE ROOM	<input checked="" type="radio"/>	<input checked="" type="radio"/>	APARTMENT MAINTENANCE	<input type="radio"/>	<input checked="" type="radio"/>
GOLF COURSE ACCESS	<input type="radio"/>	<input type="radio"/>	CABLE TV	<input type="radio"/>	<input checked="" type="radio"/>
LIBRARY	<input type="radio"/>	<input type="radio"/>	LINENS FURNISHED	<input type="radio"/>	<input checked="" type="radio"/>
PUTTING GREEN	<input type="radio"/>	<input type="radio"/>	LINENS LAUNDERED	<input type="radio"/>	<input checked="" type="radio"/>
SHUFFLEBOARD	<input type="radio"/>	<input type="radio"/>	MEDICATION MANAGEMENT	<input checked="" type="radio"/>	<input checked="" type="radio"/>
SPA	<input checked="" type="radio"/>	<input checked="" type="radio"/>	NURSING/WELLNESS CLINIC	<input checked="" type="radio"/>	<input type="radio"/>
SWIMMING POOL-INDOOR	<input checked="" type="radio"/>	<input checked="" type="radio"/>	PERSONAL HOME CARE	<input type="radio"/>	<input checked="" type="radio"/>
SWIMMING POOL-OUTDOOR	<input type="radio"/>	<input type="radio"/>	TRANSPORTATION-PERSONAL	<input type="radio"/>	<input checked="" type="radio"/>
TENNIS COURT	<input type="radio"/>	<input type="radio"/>	TRANSPORTATION-PREARRANGED	<input type="radio"/>	<input checked="" type="radio"/>
WORKSHOP	<input checked="" type="radio"/>	<input checked="" type="radio"/>	OTHER _____	<input type="radio"/>	<input type="radio"/>
OTHER _____	<input type="radio"/>	<input type="radio"/>			

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

PROVIDER NAME: Pilgrim Place in Claremont

OTHER 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.

PROVIDER NAME:
FACILITY: PILGRIM PLACE IN CLAREMONT

	2017	2018	2019	2020
INCOME FROM ONGOING OPERATIONS:				
OPERATING INCOME	17,873,470	17,694,153	17,568,772	16,011,004
(EXCL AMORTIZATION OF ENTRANCE FEE INCOME)	17,873,470	17,694,153	17,568,772	16,011,004
LESS OPERATING EXPENSES	16,305,403	16,001,274	16,385,318	17,377,230
(EXCL DEPRECIATION, AMORTIZATION, & INTEREST)				
NET INCOME FROM OPERATIONS	1,568,067	1,692,879	1,183,454	(1,366,226)
LESS INTEREST EXPENSE	(1,470,854)	(1,462,847)	(1,411,297)	(1,415,514)
PLUS CONTRIBUTIONS	373,456	223,876	192,050	194,525
PLUS NON-OPERATING INCOME (EXPENSES)	534,343	151,636	933,950	3,169,948
(EXCLUDING EXTRAORDINARY ITEMS)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	1,005,012	605,544	898,157	582,733
NET CASH FLOW FROM ENTRANCE FEES	1,529,647	4,038,743	2,526,427	3,232,450
(TOTAL DEPOSITS LESS REFUNDS)				

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END					
<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INT RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
State of California Insured Senior Living Bonds	\$32,864,329	4-5%	November, 2016	2046	30 years

FINANCIAL RATIOS:	2019 CCAC 50%	2018	2019	2020
DEBT TO ASSET RATIO	0.38	0.46	0.44	0.41
OPERATING RATIO	99%	99%	101%	117%
DEBT SERVICE COVERAGE RATIO	2.67	2.88	2.19	2.35
DAYS CASH-ON-HAND RATIO	432	225	241	274

HISTORICAL MONTHLY SERVICE FEES	2017	%	2018	%	2019	%	2020	%
STUDIO								
ONE BEDROOM	1,498	3.74	1,554	3.02	1,601	3.00	1,649	3.00
TWO BEDROOM	2,139	3.74	2,219	3.02	2,286	3.02	2,355	3.00
COTTAGE/HOUSE	2,525	3.76	2,620	3.02	2,699	3.00	2,780	3.00
ASSISTED LIVING	4,490	3.74	4,658	3.01	4,798	3.00	4,942	3.00
SKILLED NURSING	9,393	5.00	9,863	5.00	10,356	5.00	10,874	5.00
SPECIAL CARE								

COMMENTS FROM PROVIDER:

2020 Non-Operating Income includes \$2.2M in COVID Provider Relief Funds

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

PROVIDER NAME: _____

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

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.

	2016	2017	2018	2019	2020	Projected 2021	Forecast				Preferred Trend Indicator
							2022	2023	2024	2025	
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	95.00%	94.00%	94.00%	90.00%	86.00%	86.00%	90.00%	90.00%	90.00%	90.00%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	3.43%	8.69%	9.85%	7.14%	-9.03%	5.00%	5.00%	5.00%	5.00%	5.00%	N/A
3. Net Operating Margin - Adjusted (%)	18.50%	16.18%	28.78%	19.31%	10.05%	18.00%	18.00%	18.00%	18.00%	18.00%	N/A
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments (\$000)	\$7,727	\$8,364	\$8,019	\$8,266	\$9,088	\$8,250	\$8,250	\$8,481	\$8,547	\$8,580	N/A
5. Days Cash on Hand (Unrestricted)	165	172	225	241	274	250	250	257	259	260	N/A
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees (\$000)	\$7,992	\$7,490	\$10,130	\$10,292	\$10,709	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	N/A
7. Net Annual E/F proceeds (\$000)	\$2,880	\$1,530	\$4,483	\$2,526	\$3,232	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	N/A
8. Unrestricted Net Assets (\$000)	\$14,626	\$14,849	\$14,816	\$15,496	\$16,069	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	N/A
9. Annual Capital Asset Expenditure (\$000)	\$2,809	\$4,339	\$3,450	\$3,428	\$3,024	\$2,500	\$2,500	\$2,000	\$2,000	\$2,000	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	0.64	1.38	0.96	1.10	0.93	1.00	1.00	1.00	1.00	1.00	N/A
11. Annual Debt Service Coverage (x)	2.13	2.66	2.88	2.20	2.35	2.3	2.3	2.3	2.3	2.3	N/A
12. Annual Debt Service/Revenue (%)	13.80%	8.90%	11.70%	11.00%	10.40%	10.50%	10.50%	10.50%	10.50%	10.50%	N/A
13. Average Annual Effective Interest Rate (%)	3.55%	4.00%	4.21%	4.18%	4.26%	4.26%	4.26%	4.26%	4.26%	4.26%	N/A
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	20.58%	24.07%	23.55%	23.55%	28.32%	28.00%	28.00%	28.00%	28.00%	28.00%	N/A
15. Average Age of Facility (years)	14.37	15.33	15.52	15.52	16.19	16.00	16.00	16.00	16.00	16.00	N/A

Key Indicators Report Memo

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 borrowing was used for solar installation on commercial buildings, a new emergency pendant system for the

Operationally, we have always had high occupancy levels, above 90% at IL and AL and about 82% at our SNF. While the COVID pandemic impacted our current occupancy, we project that we will return to similar levels in the

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.

[1] [2] [3] [4] [5] [6] [7] [8] [9]

PROVIDER:	PILGRIM PLACE IN CLAREMONT
COMMUNITY	SAME AS ABOVE
Comments from Provider:	<u>Pilgrim Place does not guarantee care for life. The Classic Care and Residence Agreement and Deferred Repayment Care and Residence Agreement described in the financial statements 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. Pilgrim does not have a refund reserve amount requirement.</u>

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The audited financial statements as of and for the year ended December 31, 2020 and 2019, with a report date of April 23, 2021, 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.

