

Town & Country Manor

Your faith, Your way of life.

September 23, 2024

**Certification of Chief Executive Officer**

**Re: Required Reserves Report and Accompanying Schedules of Town & Country Manor of The Christian and Missionary Alliance fiscal year ended June 30, 2024.**

According to the best of my knowledge and belief, all the information contained in the enclosed documents is true, complete and correct; and Town & Country is maintaining the required liquid reserves.

Further, I certify that each monthly care agreement in use by new residents has been approved by the Department (as per Health and Safety Code Section 1792.6) and is not subject to the refund reserve requirement (as per Health and Safety Code Section 1775.5(b)), as entrance fees are not refundable after five years.

Signed: \_\_\_\_\_

Robert Goerzen  
Chief Executive Officer

## Independent Auditor's Report on Supplementary Information

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

We have audited the financial statements of Town and Country Manor of The Christian and Missionary Alliance (Town and Country) as of and for the years ended June 30, 2024 and 2023, and have issued our report thereon dated September 19, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Forms 5-1 through 5-5 of the accompanying Annual Reserve Report (Multi-CRC Provider) is presented for purposes of additional analysis and for compliance with the requirements of the State of California Health and Safety Code Section 1792 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

**Forvis Mazars, LLP**

Colorado Springs, Colorado  
September 19, 2024

**FORM 1-1:RESIDENT POPULATION**

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	19
[2]	Number at end of fiscal year	17
[3]	Total Lines 1 and 2	36
		x.50
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	
[5]	Mean number of continuing care residents Please allow decimal points for Line [5]	18
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	274
[7]	Number at end of fiscal year	305
[8]	Total Lines 6 and 7	579
		x.05
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	
[10]	Mean number of <i>all</i> residents	289.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	.06

Please allow decimal points in Line [11]

**FORM 1-2: ANNUAL PROVIDER FEE**

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service - interest only)	31,251,556.00
[a] Depreciation	2,031,612.00
[b] Debt Service (Interest Only)	1,587,549.00
[2] Subtotal (add Line 1a and 1b)	3,619,160.00
[3] Subtract Line 2 from Line 1 and enter result.	27,632,395.00
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	0.06
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	1,657,944.00
[6] <b>Total Amount Due</b> (multiply Line 5 by .001)	<b>\$ 1,658.00</b>

**PROVIDER:** Town & Country

**COMMUNITY:** Town & Country

**FORM 5-1: LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR (INCLUDING BALLOON DEBT)**

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	06/13/19	\$670,000	\$1,587,549		\$2,257,549
2					
3					
4					
5					
6					
7					
8					
<b>TOTAL:</b>			\$1,587,549		\$2,257,549

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

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

**PROVIDER:** Town & Country

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

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

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

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

**PROVIDER:** Town & Country

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

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Line	TOTAL
1 <u>Total from Form 5-1 bottom of Column (e)</u>	\$2,257,549
2 <u>Total from Form 5-2 bottom of Column (e)</u>	
3 <u>Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)</u>	
4 <b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<u>\$2,257,549</u>

**PROVIDER:** Town & Country

**FORM 5-4: CALCULATION OF NET OPERATING EXPENSES**

Line	Description	Amounts	TOTAL
1	Total operating expenses from financial statements		\$31,251,556
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	\$1,587,549	
b.	Credit enhancement premiums paid for long-term debt (see instructions)		
c.	Depreciation	\$2,031,611	
d.	Amortization	(299,713)	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$29,118,437	
f.	Extraordinary expenses approved by the Department		
3	Total Deductions		\$32,437,884
4	Net Operating Expenses		\$(1,186,328)
5	Divide Line 4 by 365 and enter the result		\$(3,250)
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount		\$ (243,750)

**PROVIDER:** Town & Country

**COMMUNITY:** Towm & Country



**FORM 5-4**  
**Reconcile Audited Cash Flow Statement to Form 5-4 2E**

Provider Name: Town & Country

Fiscal Year Ended: 6/30/2024

**Reconcile Audited Cash Flow Statement to Form 5-4 2E**

Statement of Cash Flows - Cash received from service recipients	\$	29,949,767
Less Cash received from residents with continuing care contracts	\$	831,330
Form 5-4 line 2e	<u>\$</u>	<u>29,118,437</u>

**FORM 5-5: ANNUAL RESERVE CERTIFICATION**

Provider Name: Town & Country

Fiscal Year Ended: 6/30/2024

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended.

6/30/2023

and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$2,257,549</u>
[2] Operating Expense Reserve Amount	<u>(243,750)</u>
[3] <b>Total Liquid Reserve Amount:</b>	<u>\$2,013,799</u>

Qualifying assets sufficient to fulfill the operating reserve and debt service requirements, based on market value at end of fiscal year were applicable, are held as follows:

<b>Qualifying Asset Description</b>	<b>Debt Service Reserve</b>	<b>Operating Reserve</b>
[4] Cash and Cash Equivalents	<u>                    </u>	<u>\$1,347,939</u>
[5] Investment Securities	<u>                    </u>	<u>\$2,891,925</u>
[6] Equity Securities	<u>                    </u>	<u>\$6,220,940</u>
[7] Unused/Available Lines of Credit	<u>                    </u>	<u>                    </u>
[8] Unused/Available Letters of Credit	<u>                    </u>	<u>                    </u>
[9] Debt Service Reserve	<u>\$1,204,690</u>	(not applicable)
[10] Other:	<u>\$2,422,935</u>	<u>                    </u>

Qualifying assets used in these reserves are described as follow:

Corporate Bonds, Exchanged Traded Funds

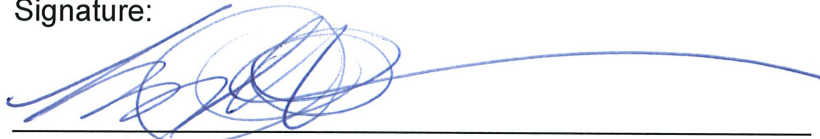
Total Amount of Qualifying Assests

Listed for Reserve Obligation: [11] \$3,627,625 [12] \$10,460,804

Reserve Obligation Amount: [13] 2,257,549 [14] (243,750)

Surplus/(Deficiency): [15] \$1,370,076 [16] \$10,704,554

Signature:



Date: 9/23/2024

(Authorized Representative)

CEO

(Title)

**FORM 5-5**  
**ANNUAL RESERVE CERTIFICATION - ATTACHMENT**

Provider Name: Town & Country  
Fiscal Year Ended: 6/30/2024

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

**Total Qualifying Assets as Filed**

Description	Debt Service Reserve	Operating Reserve	Totals	Additional Comments
Cash & Cash Equivalents		1,347,939	1,347,939	Operating cash, CD's and money mkt mutual funds (less restricted funds)
Investment Securities		2,891,925	2,891,925	Mutual funds (bonds and foreign emerging mkts)
Equity Securities		6,220,940	6,220,940	
Debt Service Reserve	1,204,690		1,204,690	US Treasury Bills
Other: Corporate Bonds & Exchange Traded Funds	2,422,935		2,422,935	
<b>Total Qualifying Assets as Filed</b>	<b>3,627,625</b>	<b>10,460,804</b>	<b>14,088,429</b>	<b>Total Short-Term Investments</b>

**Reserve & Designation**

Designated for Debt Service	1,587,549		1,587,549	Interest Paid, Current Year
Designated for Debt Service	670,000		670,000	Principal Paid, Current Year
Designated for Operating Expense Reserves		(243,750)	(243,750)	As Calculated on Form 5-4, line 6
<b>Total Reserves</b>	<b>2,257,549</b>	<b>(243,750)</b>	<b>2,013,799</b>	
<b>Remaining Reserves</b>	<b>1,370,076</b>	<b>10,704,554</b>	<b>12,074,630</b>	

**Reconciliation to Financial Statements**

	Amount	Adjustments	Revised Total	Description
Cash shown on Balance Sheet, page 3	\$1,130,875	\$0	\$1,130,875	
Investments shown Note 3, page 16	15,504,204	-3,751,340	11,752,864	Deduct Alternative Investments
Bond Reserve Fund, included in balance of Assets Limited as to Use, Balance Sheet, page 3	1,204,690		1,204,690	Add Bond Reserve Fund
<b>Total</b>	<b>\$17,839,769</b>	<b>-\$3,751,340</b>	<b>\$14,088,429</b>	

**FORM 5-5**  
**ANNUAL RESERVE CERTIFICATION - SUPPLEMENTAL INFORMATION**

Provider Name: Town & Country  
Fiscal Year Ended: 6/30/2024

**Per Capita Cost of Operations**

Total Operating Expenses	from Form 5-4, line 1	\$31,251,556
Mean Number of Total Residents	from Form 1-1, line 10	289.5
Total care days	from Form 1-1, line 5 x 365	105,668
<u>Per Capita Cost of Operations</u>		<u>\$295.75</u>

**TOWN & COUNTRY  
INTEREST RECONCILIATION  
6/30/2024**

Acct #	Description	Balance 6/30/2024	Copier Lease			Total
			Bond Interest	Interest	Amortization	
7500-1100-1	Interest - Copier Lease	\$1,999		\$1,999		\$1,999
7600-1000-1	Interest - Bonds	1,587,549	1,587,549			1,587,549
7601-1200-1	Bond Fees Amortized	4,884			4,884	4,884
7601-1050-1	Bond Premium Costs Amortized	(352,306)			(352,306)	(352,306)
7601-1100-1	Amortized Bond Issuance Costs	47,709			47,709	47,709
		<u>\$1,289,835</u>	<u>\$1,587,549</u>	<u>\$1,999</u>	<u>(\$299,713)</u>	<u>\$1,289,835</u>
		(a)	(b)	(c)	(e)	

**TOWN & COUNTRY  
DEPRECIATION & AMORTIZATION RECONCILIATION  
6/30/2024**

Acct #	Description	Balance 6/30/2024
7110-0000-1	Depreciation - Land Improvements	\$71,267
7120-1000-1	Depreciation - Bldgs & Improvements	1,718,505
7130-1000-1	Depreciation - LHI	719
7140-1000-1	Depreciation - Equipment	178,904
7160-1000-1	Depreciation - Other	62,216
	Subtotal	<u>2,031,611</u> (f)
7601-1500-1	Amortization - Copier Lease	53,005 (g)
		<u>\$2,084,616</u> (d)

**Notes:**

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

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

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

Total Revenues were expected to increase by 23.25% or \$6,015,265 in fiscal year ended 6/30/24 to \$31,892,572. Change in revenues was the result of projected census changes, rate increases, continuing to fill up of the new Memory Care building which was opened in August 2021, and projected contributions income of \$250,000. Overall Independent Living revenues were projected to increase a total of \$1,211,892 because of increased census, and an 8% rate increase. Assisted Living revenues were expected to increase by \$387,447 because of an 8% rate increase. Memory Care revenues were expected to increase by \$2,902,455 because of census increases, and an 8% rate increase. Lastly, Skilled Nursing revenues are expected to increase \$1,363,471 because estimated increases in Medicare and MediCal reimbursement rates, and a private pay rate increase of 5%.

Expenses were expected to increase by 8.9% or \$2,525,514 in fiscal year ended 6/30/24 to \$30,901,952. Labor related costs increases were the significant part of the increase due to the need to hire additional staff for the Memory Care level of service which is still in the fill-up period. Also, other labor related expense increase included salary and wage increases of 5%, increases in employee medical insurance of 8%, and increase in workers compensation of 2%. Continued increases in inflation warranted budgeted increases in food and supplies of 8%.

The projected 2024 net operating income shown on the following page allows the community to reinvest in the buildings and grounds so that current residents will be able to thrive in a safe and attractive environment, and to ensure marketability of the community to prospective residents.

**Form 7-1 Attachment**  
**Fiscal Year 2024 Monthly Care Fee Increase (MCFI)**  
**Town and Country Manor (TCM)**

		FYE 2022	FYE 2023	FYE 2024	Notes
1	2022 Operating Expenses (audited)	(\$25,937,481)			
2	2023 Operating Expenses (unaudited)		(\$28,376,438)		
3	2024 Projected Operating Expenses			(\$30,901,952)	1.
4	Projected 2024 Revenue without a MCFI			\$31,528,522	
5	Projected 2024 Net Results without MCFI			\$626,570	
6	Projected 2024 Revenue with MCFI 8 %			\$31,892,572	2.
7	Projected 2024 Net Operating Income After 8 % MCFI (Line 3 plus Line 6)			\$990,620	

Overall Revenue % Increase:	23.25%
Overall Expense % Increase:	8.90%
Independent Living Monthly Fee % Increase:	8.00%
Assisted Living Monthly Fee % Increase:	8.00%
Skilled Nursing Monthly Fee % Increase:	5.00%

**Notes:**

- Total projected increase in expenses is estimated at \$2,525,514 or 8.90% compared to prior year.
- Note a new Memory Care building was opened during the FYE 6/30/21 is expected to be filled to an occupancy of 85% during FYE 6/30/2024.
  - This number is a hard entry, not a calculation. T&C's four levels of care have projected census changes and various rate increases for next fiscal year. Total projected revenue is \$31,892,573 for FYE 6/30/24, and is a \$6,015,266 or 23.3% increase from prior year. The Independent Living MCFI of 8% is \$364,050 and is included in the \$6,015,266. Note Independent Living (IL) was derived as a percentage of prior year revenues, \$4,573,235 X 8% = \$365,050. FYE 6/30/2024 revenue detail as follows:

**Independent Living**

FYE 6/30/2023 IL Room and Board revenues:	\$4,573,235
FYE 6/30/24:	
IL Room and Board revenues from 8.00% rate increase (MCFI):	364,050
IL Revenues increase in census:	839,031
IL Total Projected Room and Board Revenues	5,776,316
Other Contract Revenues & Ancillary Revenues	404,792
Amortized Entrance Fees	\$89,089
Total Independent Living Revenues	\$6,270,197

Assisted Living Revenues	\$3,859,178
Skilled Nursing Revenues	\$15,558,493
Memory Care Revenues	\$5,954,704
Contributions	\$250,000
Overall FYE 6/30/23 Projected Entity Revenues	\$31,892,572





# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

5/16/2024

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).

<b>PRODUCER</b> Arthur J. Gallagher Risk Management Services, LLC 500 North Sante Fe Visalia CA 93292	<b>CONTACT NAME:</b> Connie Collins
	<b>PHONE (A/C, No, Ext):</b> 559-302-2160 <b>FAX (A/C, No):</b> 559-733-5612
<b>E-MAIL ADDRESS:</b> connie_collins@ajg.com	<b>INSURER(S) AFFORDING COVERAGE</b>
<b>INSURER A:</b> Nationwide Mutual Insurance Company	<b>NAIC #</b> 23787
<b>INSURER B:</b> AMCO Insurance Company	<b>NAIC #</b> 19100
<b>INSURER C:</b>	
<b>INSURER D:</b>	
<b>INSURER E:</b>	
<b>INSURER F:</b>	

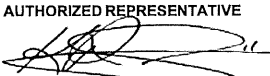
**COVERAGES**      **CERTIFICATE NUMBER:** 1492055227      **REVISION NUMBER:**

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> <b>COMMERCIAL GENERAL LIABILITY</b> <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> DED: \$50,000 GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:			ACPGLO3087648499	5/1/2024	5/1/2025	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 3,000,000 PRODUCTS - COMP/OP AGG \$ 3,000,000 Employee Benefits \$ 3,000,000
A	<input checked="" type="checkbox"/> <b>AUTOMOBILE LIABILITY</b> <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY			ACPBA3087648499	5/1/2024	5/1/2025	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
B	<input checked="" type="checkbox"/> <b>UMBRELLA LIAB</b> <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED    RETENTION \$			ACPCAA3087648499	5/1/2024	5/1/2025	EACH OCCURRENCE \$ 1,000,000 AGGREGATE \$ 1,000,000 \$ PER STATUTE    OTH-ER
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		Y/N N/A				E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	Employee Dishonesty			ACPCRM3087648499	5/1/2024	5/1/2025	Limit/Ded \$1,000,000/\$2,500
A	Professional Liability			ACPGLO3087648499	5/1/2024	5/1/2025	Ded per Claim \$50,000
	Sexual Misconduct						Limit/Aggregate \$1M/\$3M

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)  
 As per Contract or Agreement on File with insured.

**CERTIFICATE HOLDER**      **CANCELLATION**

California Department of Social Services Continuing Care Contracts Branch 744 P Street, MS 10-90 Sacramento CA 95814 USA	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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# CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE STATEMENT

Date Prepared: 8/9/2024

Facility Name: Town & Country

Address: 555 East Memory Lane Santa Zip Code:92706 Phone(714) 547-7581

Provider Name:  
Town & Country

Facility Operator: Christian Missionary Alliance

Religious Affiliation: Christian

Year Opened: 1975 # of Acres: 10 Miles to Shopping Center: 1 Miles to Hospital: 1

Single Story  Multi-Story  Other:

**Number of Units:**

Residential Living	Number of Units	Health Care	Number of Units
Apartments – Studio:	<u>22</u>	Assisted Living:	<u>52</u>
Apartments – 1 Bdrm:	<u>80</u>	Skilled Nursing:	<u>95</u>
Apartments – 2 Bdrm:	<u>16</u>	Special Care:	<u>66</u>
Cottages/Houses:	<u>                    </u>	Description:	<u>Memory Care</u>

RLU Occupancy (%) at Year End: 86%

Type of Ownership:  Not for Profit  
 For Profit

Accredited?  Yes By:  
 No

Form of Contact:  Continuing Care  Life Care  Entrance Fee  Fee for Service  
(Check all that apply)  Assignment of Assets  Equity  Membership  Rental

Refund Provisions:  Refundable  90%  50%  
(Check all that apply)  Repayable  75%  Other:

Range of Entrance Fees: \$32,000 - \$57,000

Long-Term Care Insurance Required?  Yes  No

Health Care Benefits Included in Contract:No

Entry Requirements: Min Age:62 Prior Profession:Any Other:                     

Resident Representative(s) to, and Resident Members on, the Board:  
(briefly describe provider’s compliance and residents’ roles):

Town & Country has one resident on the board who is a voting member, and has one resident on the board who is a non-voting member.

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

Facility Services and Amenities

Common Area Amenities	Available	Fee for Service	Services Available	Included in Fee	For Extra Charge
Beauty/Barber Shop	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Housekeeping ( <u>4</u> Times/	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Billiard Room	<input type="checkbox"/>	<input type="checkbox"/>	Month at \$_____each)		
Bowling Green	<input type="checkbox"/>	<input type="checkbox"/>	Meals ( <u>3</u> /Day)	<input type="checkbox"/>	<input type="checkbox"/>
Card Rooms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Special Diets Available	<input type="checkbox"/>	<input type="checkbox"/>
Chapel	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Coffee Shop	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-Hour Emergency Response	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Craft Rooms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Activities Program	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Exercise Room	<input checked="" type="checkbox"/>	<input type="checkbox"/>	All Utilities Except Phone	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Golf Course Access	<input type="checkbox"/>	<input type="checkbox"/>	Apartment Maintenance	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Library	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cable TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Putting Green	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Linens Furnished	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Shuffleboard	<input type="checkbox"/>	<input type="checkbox"/>	Linens Laundered	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Spa	<input type="checkbox"/>	<input type="checkbox"/>	Medication Management	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Swimming Pool – Indoor	<input type="checkbox"/>	<input type="checkbox"/>	Nursing/Wellness Clinic	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Swimming Pool – Outdoor	<input type="checkbox"/>	<input type="checkbox"/>	Personal Home Care	<input type="checkbox"/>	<input type="checkbox"/>
Tennis Court	<input type="checkbox"/>	<input type="checkbox"/>	Transportation – Personal	<input type="checkbox"/>	<input type="checkbox"/>
Workshop	<input type="checkbox"/>	<input type="checkbox"/>	Transportation – Prearranged	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other: _____	<input type="checkbox"/>	<input type="checkbox"/>	Other: _____	<input type="checkbox"/>	<input type="checkbox"/>

**Provider Name:** Town & Country

<b>Affiliated CCRCs</b>	<b>Location (city, state)</b>	<b>Phone (with area code)</b>

<b>Multi-Level Retirement Communities</b>	<b>Location (city, state)</b>	<b>Phone (with area code)</b>

<b>Free-Standing Skilled Nursing</b>	<b>Location (city, state)</b>	<b>Phone (with area code)</b>

<b>Subsidized Senior Housing</b>	<b>Location (city, state)</b>	<b>Phone (with area code)</b>

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

**Provider Name:** Town & Country

<b>Income and Expenses [Year]</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Income from Ongoing Operations</b>				
<b>Operating Income</b> (Excluding amortization of entrance fee income)	\$17,666,893	\$21,497,194	\$26,030,215	\$30,002,269
<b>Less Operating Expenses</b> (Excluding depreciation, amortization, and interest)	\$17,992,553	\$22,762,542	\$25,346,740	\$27,877,104
<b>Net Income From Operations</b>	\$(325,660)	\$(1,265,348)	\$683,475	\$2,125,165
<b>Less Interest Expense</b>	\$(282,650)	\$(1,634,105)	\$(1,609,300)	\$(1,589,548)
<b>Plus Contributions</b>	\$2,676,047	\$2,522,156	\$165,678	\$118,018
<b>Plus Non-Operating Income (Expenses)</b> (Excluding extraordinary items)	\$2,707,818	\$(1,687,728)	\$1,067,667	\$1,602,472
<b>Net Income (Loss) Before Entrance Fees, Depreciation And Amortization</b>	\$4,775,555	\$(2,065,025)	\$307,520	\$2,256,107
<b>Net Cash Flow From Entrance Fees</b> (Total Deposits Less Refunds)	\$98,600	0	0	0

**Description of Secured Debt** *(as of most recent fiscal year end)*

<b>Lender</b>	<b>Outstanding Balance</b>	<b>Interest Rate</b>	<b>Date of Origination</b>	<b>Date of Maturity</b>	<b>Amortization Period</b>
CA Muncipal Finance Author	\$37,366,058	4%	6/13/2019	7/1/2049	30 Years

**Financial Ratios** *(see last page for ratio formulas)*

<b>Financial Ratios [Year]</b>	<b>CCAC Medians 50th Percentile (optional)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Debt to Asset Ratio</b>		.62	.62	.61
<b>Operating Ratio</b>		1.14	1.03	1.04
<b>Debt Service Coverage Ratio</b>		.80	.59	.96
<b>Days Cash On Hand Ratio</b>		237	206	207

**Provider Name:** Town & Country

**Historical Monthly Service Fees** (Average Fee and Change Percentage)

<b>Residence/Service [Year]</b>	<b>2021</b>	<b>%</b>	<b>2022</b>	<b>%</b>	<b>2023</b>	<b>%</b>	<b>2024</b>	<b>%</b>
Studio	\$3,618	4.00%	\$3,618	0	\$3,835	5.75%	\$4,140	8.0%
One Bedroom	\$4,509	4.00%	\$4,702	3.00%	\$5,126	5.75%	\$5,525	8.0%
Two Bedroom	\$5,757	4.00%	\$5,928	3.00%	\$6,818	5.75%	\$7,840	8.0%
Cottage/House								
Assisted Living	\$5,523	4.00%	\$5,997	3.00%	\$6,475	5.75%	\$6,993	8.0%
Skilled Living	\$525	4.00%	\$541	4.00%	\$610	5.00%	\$641	4.8%
Special Care			\$7,493	0.00%	\$7,608	6.00%	\$8,429	8.0%

**Comments from Provider:**

**Financial Ratio Formulas**

**Long-Term Debt to Total Assets Ratio**

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

**Operating Ratio**

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

**Debt Service Coverage Ratio**

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

**Days Cash On Hand Ratio**

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

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

### FORM 9-1 CALCULATION OF REFUND RESERVE AMOUNT

[1] Resident Name	[2] Sex	[3] Entrance Fee	[4] Refund%	[5] Refund Amount (promised after 6 yrs)	[6] Age	[7] Life Exp.	[8] Present Value Multiplier	[9] Present Value of Refund
<b>TOTAL AMOUNT REQUIRED FOR REFUND RESERVE:</b>								0

PROVIDER: Town & Country  
 COMMUNITY: Town & Country

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

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Complete **Form 7-1** to report the monthly care fee increase (MCFI) for **each** community operated by the Provider. If no adjustments were made during the reporting period for a community, indicate by checking the box below **Line [2]**. Providers must complete a separate Form 7-1 for each of their continuing care retirement communities.

1. On **Line 1**, enter the amount of monthly care fees for each level of care at the *beginning* of the reporting period.
2. On **Line 2**, indicate the percentage(s) of increase in fees implemented during the *reporting* period.
3. On **Line 3**, indicate the date the fee increase was implemented. If more than one (1) increase was implemented, indicate the date(s) for each increase.
4. Check *each* of the appropriate boxes.
5. Provide a detailed explanation for the increase in monthly care fees including the total dollar amount for the community overall and corresponding percentage increase for each level of care in compliance with the Health and Safety Code. The explanation shall set forth the reasons, by department cost centers, for any increase in monthly care fee. It must include if the change in monthly care fees is due to any actual or projected costs related to any other CCRC community or enterprise affiliated with the provider or parent company.

The methodology used to budget future costs should align with one or more of the following factors: "projected costs, prior year per capita costs and economic indicators." Describe the methodology used for single or multiple communities. If there are multiple MCFI percentages, i.e., by level of care, a separate explanation for each MCFI will be required.

Also, if there is a positive result of operations, the provider will need to explain how the funds will be used and/or distributed consistent with disclosures made in the applicable sections of the Continuing Care Contract.

**This attachment should include the data used in the Monthly Care Fee Increase meeting presentation provided to residents, which will also include actual results and an explanation of any variances.**

**NOTE:** Providers shall retain all documents related to the development of adjusted fees at their respective communities for a period of at least three years, i.e., budgets, statements of operations, cost reports, used near the end of the prior fiscal year to develop adjustments implemented in the current reporting period. These documents must be available for review upon request by the Department.



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

	RESIDENTIAL LIVING	ASSISTED LIVING	MEMORY CARE	SKILLED NURSING
1. Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$3,700-8,020</u>	<u>\$5,550-7,450</u>	<u>\$7,344-12113</u>	<u>\$588-\$693</u>
2. Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>8.00%</u>	<u>8.00%</u>	<u>8.00%</u>	<u>4.76%</u>

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

3. Indicate the date the fee increase was implemented: 7/1/2023  
 (If more than one (1) increase was implemented, indicate the dates for each increase.)

4. Check each of the appropriate boxes:

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

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

**Date of Notice:** 4/26/2023      **Method of Notice:** Written Letter

At least 30 days prior to the increase in fees, the designated representative of the Provider convened a meeting that all residents were invited to attend. **Date of Meeting:** 4/26/2023

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

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

Emailed the documents to those residents for whom the provider had email addresses on file

Placed hard copies in resident cubby

Placed hard copies at designated locations

Provided hard copies to residents upon request, and/or

Other: [please describe] Mail

**Date of Notice:** 4/26/2023

- The Provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.  
**Date of Notice:** 3/22/2023
- The governing body of the Provider, or the designated representative of the Provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.  
**Date of Posting:** 3/22/2023 **Location of Posting:** Outside Main Dining Room
- Providers evaluated the effectiveness of consultations during the annual budget planning process at a minimum of every two years by the continuing care retirement community administration. The evaluation, including any policies adopted relating to cooperation with residents was made available to the resident association or its governing body, or, if neither exists, to a committee of residents at least 14 days prior to the next semiannual meeting of residents and the Provider's governing body and posted a copy of that evaluation in a conspicuous location at each facility.  
**Date of Posting:** 12/29/2023 **Location of Posting:** Conference Room

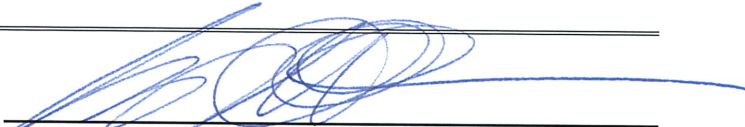
5. On an attached page, provide a detailed explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code.

**PROVIDER:** Town & Country **COMMUNITY:** Town & Country

**KEY INDICATORS REPORT**

Date Prepared: \_\_\_\_\_

Provider Name: Town & Country



\_\_\_\_\_  
\*Chief Executive Officer Signature

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


	2020	2021	2022	2023	2024	Projected 2025	Forecast			Preferred Trend Indicator	
	2026	2027	2028	2029							
<b>OPERATIONAL STATISTICS</b>											
1. Average Annual Occupancy by Site (%)	85.00%	75.57%	59.00%	65.00%	82.6%	91%	92%	93%	95%	95%	N/A
<b>MARGIN (PROFITABILITY) INDICATORS</b>											
2. Net Operating Margin (%)	5.35%	-2.54%	-5.94%	2.47%	6.54%	8.0%	9.0%	9.0%	9.0%	8.0%	↑
3. Net Operating Margin - Adjusted (%)	4.90%	-2.37%	-5.94%	2.47%	6.54%	8.0%	9.0%	9.0%	9.0%	9.0%	↓
<b>LIQUIDITY INDICATORS</b>											
4. Unrestricted Cash and Investments (\$000)	\$14,586	\$17,923	\$15,832	\$15,244	\$16,635	\$18,500	\$19,500	\$20,000	\$21,000	\$22,000	↑
5. Days Cash on Hand (Unrestricted)	279	358	237	206	207	228	240	258	263	268	↑
<b>CAPITAL STRUCTURE INDICATORS</b>											
6. Deferred Revenue from Entrance Fees (\$000)	\$115	\$79	\$57	\$48	\$50	\$43	\$41	\$39	\$37	\$35	N/A
7. Net Annual E/F proceeds (\$000)	\$149	\$99	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A
8. Unrestricted Net Assets (\$000)	\$19,522	\$23,256	\$19,718	\$18,757	\$19,278	\$20,358	\$22,000	\$23,000	\$24,000	\$25,000	N/A
9. Annual Capital Asset Expenditure (\$000)	\$5,831	\$18,722	\$6,433	\$1,105	\$1,209	\$775	\$1,000	\$1,000	\$1,000	\$1,000	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	5.13	6.56	.80	.59	.96	1.96	2.12	2.28	2.32	2.37	↑
11. Annual Debt Service Coverage (x)	5.42	6.72	.80	.59	.96	1.96	2.12	2.28	2.32	2.37	↑
12. Annual Debt Service/Revenue (%)	2.39%	2.70%	10.06%	8.19%	7.03%	6.5%	6.0%	5.5%	5.0%	5.0%	↓
13. Average Annual Effective Interest Rate (%)	.72%	0.71%	4.20%	4.10%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	36.54%	45.65%	41.31%	39.78%	44.9%	46%	47%	48%	48%	48%	↑
15. Average Age of Facility (years)	18	18.4	12	11	12.4	12	12	12	11	11	↓



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

## **Independent Auditor's Report and Financial Statements**

June 30, 2024 and 2023



**Town and Country Manor of The Christian and Missionary Alliance**  
**Contents**  
**June 30, 2024 and 2023**

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## **Independent Auditor's Report**

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

### ***Opinion***

We have audited the financial statements of Town and Country Manor of The Christian and Missionary Alliance (Town and Country), which comprise the balance sheets as of June 30, 2024 and 2023, and the related statements of income, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Town and Country as of June 30, 2024 and 2023, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town and Country's ability to continue as a going concern within one year after the date that these financial are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

**Forvis Mazars, LLP**

Colorado Springs, Colorado  
September 19, 2024

**Town and Country Manor of The Christian and Missionary Alliance**  
**Balance Sheets**  
**June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 1,130,875	\$ 1,128,833
Accounts receivable	1,779,643	1,894,142
Short-term investments	15,492,826	13,987,048
Assets limited as to use - current	1,476,831	1,449,678
Other receivables	-	84,307
Inventories	154,782	168,012
Prepaid expenses	481,774	382,361
	<u>20,516,731</u>	<u>19,094,381</u>
<b>Assets Limited as to Use</b>		
Under bond indenture agreement	3,794,706	4,364,279
Externally restricted by donors	239,983	239,983
	<u>4,034,689</u>	<u>4,604,262</u>
Less amount required to meet current obligations	<u>1,476,831</u>	<u>1,449,678</u>
	2,557,858	3,154,584
<b>Long-Term Investments</b>	11,378	128,374
<b>Property and Equipment, Net</b>	34,975,274	35,911,945
<b>Right-of-Use-Assets - Finance Lease</b>	62,465	115,470
<b>Other Assets</b>	<u>1,556,278</u>	<u>1,621,249</u>
Total assets	<u>\$ 59,679,984</u>	<u>\$ 60,026,003</u>



**Town and Country Manor of The Christian and Missionary Alliance**  
**Balance Sheets**  
**June 30, 2024 and 2023**

**(Continued)**

	<u>2024</u>	<u>2023</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 670,000	\$ 645,000
Current portion of finance lease liability	32,782	54,926
Accounts payable	568,443	690,969
Accrued expenses	2,426,132	2,116,453
Deferred revenue	58,300	58,150
Current portion of deferred revenue from advance fees	38,457	45,639
	<u>3,794,114</u>	<u>3,611,137</u>
<b>Total current liabilities</b>	3,794,114	3,611,137
<b>Long-Term Debt, Net</b>	36,391,461	37,366,058
<b>Finance Lease Liability</b>	31,659	64,442
<b>Deferred Revenue from Advance Fees, Less Current Portion</b>	184,158	227,204
	<u>40,401,392</u>	<u>41,268,841</u>
<b>Total liabilities</b>	40,401,392	41,268,841
<b>Net Assets</b>		
Without donor restrictions	18,997,101	18,357,887
With donor restrictions	281,491	399,275
	<u>19,278,592</u>	<u>18,757,162</u>
<b>Total net assets</b>	19,278,592	18,757,162
<b>Total liabilities and net assets</b>	<u>\$ 59,679,984</u>	<u>\$ 60,026,003</u>

**Town and Country Manor of The Christian and Missionary Alliance**  
**Statements of Income**  
**Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Revenues, Gains, and Other Support</b>		
<b>Without Donor Restrictions</b>		
Patient service revenue	\$ 14,843,105	\$ 14,564,773
Resident services, including amortization of advance fees; 2024 - \$50,229 and 2023 - \$48,044	14,958,084	11,388,484
Contributions	118,018	165,678
Other income	75,681	107,557
Net assets released from restrictions used for operations	<u>175,626</u>	<u>17,445</u>
 Total revenues, gains, and other support without donor restrictions	 <u>30,170,514</u>	 <u>26,243,937</u>
<b>Expenses</b>		
Salaries and wages	14,638,133	15,075,915
Employee benefits	2,733,563	2,839,629
Medical supplies and drugs	973,431	1,052,514
Professional and contracted services	4,864,975	1,560,389
Telephone and utilities	845,611	816,209
Insurance	326,856	289,146
Other	3,494,536	3,714,938
Depreciation and amortization of ROU asset	2,084,616	2,000,212
Interest (includes amortization of issue costs and premium)	<u>1,289,835</u>	<u>1,306,750</u>
 Total expenses	 <u>31,251,556</u>	 <u>28,655,702</u>
<b>Operating Loss</b>	<u>(1,081,042)</u>	<u>(2,411,765)</u>
<b>Other Income</b>		
Investment return, net	<u>1,717,011</u>	<u>1,021,950</u>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	635,969	(1,389,815)
<b>Net Assets Released from Restriction Used for Purchase of Property and Equipment</b>	<u>3,245</u>	<u>30,105</u>
<b>Increase (Decrease) in Net Assets Without Donor Restrictions</b>	<u>\$ 639,214</u>	<u>\$ (1,359,710)</u>

**Town and Country Manor of The Christian and Missionary Alliance**  
**Statements of Changes in Net Assets**  
**Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Net Assets Without Donor Restrictions</b>		
Excess (deficiency) of revenues over expenses	\$ 635,969	\$ (1,389,815)
Net assets released from restriction used for purchase of property and equipment	<u>3,245</u>	<u>30,105</u>
<b>Increase (Decrease) in Net Assets Without Donor Restrictions</b>	<u>639,214</u>	<u>(1,359,710)</u>
<b>Net Assets With Donor Restrictions</b>		
Contributions with donor restrictions	61,087	63,162
Net assets released from restriction	<u>(178,871)</u>	<u>(47,550)</u>
<b>Increase (Decrease) in Net Assets With Donor Restrictions</b>	<u>(117,784)</u>	<u>15,612</u>
<b>Change in Net Assets</b>	521,430	(1,344,098)
<b>Net Assets, Beginning of Year</b>	<u>18,757,162</u>	<u>20,101,260</u>
<b>Net Assets, End of Year</b>	<u>\$ 19,278,592</u>	<u>\$ 18,757,162</u>

**Town and Country Manor of The Christian and Missionary Alliance**  
**Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from residents and third-party payers for resident services	\$ 29,949,767	\$ 25,726,352
Contributions	179,105	228,840
Other receipts from operations	75,831	118,657
Interest income received, net of investment fees and capitalized amount	455,425	435,022
Cash paid to suppliers, employees and other	(27,596,892)	(25,163,677)
Cash paid for interest, net of amount capitalized	<u>(1,594,432)</u>	<u>(1,617,563)</u>
Net cash provided by (used in) operating activities	<u>1,468,804</u>	<u>(272,369)</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property and equipment	(1,209,212)	(1,104,635)
Purchase of investments	(13,199,035)	(4,880,993)
Proceeds from sales of investments	13,071,839	5,704,499
Purchase of assets limited as to use	(4,603,655)	(4,575,983)
Redemption of assets limited as to use	<u>5,173,228</u>	<u>5,451,710</u>
Net cash provided by (used in) investing activities	<u>(766,835)</u>	<u>594,598</u>
<b>Cash Flows from Financing Activities</b>		
Principal payments on long-term debt	(645,000)	(620,000)
Principal payments on finance lease liabilities	<u>(54,927)</u>	<u>(53,644)</u>
Net cash used in financing activities	<u>(699,927)</u>	<u>(673,644)</u>
<b>Increase (Decrease) in Cash</b>	2,042	(351,415)
<b>Cash, Beginning of Year</b>	<u>1,128,833</u>	<u>1,480,248</u>
<b>Cash, End of Year</b>	<u><u>\$ 1,130,875</u></u>	<u><u>\$ 1,128,833</u></u>

**Town and Country Manor of The Christian and Missionary Alliance**  
**Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

**(Continued)**

	<u>2024</u>	<u>2023</u>
<b>Reconciliation of Change in Net Assets to</b>		
<b>Net Cash Used in Operating Activities</b>		
Change in net assets	\$ 521,430	\$ (1,344,098)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,031,611	1,947,207
Amortization of ROU asset, deferred financing costs and premiums included in interest expense	(251,592)	(257,808)
Net realized and unrealized gains on investments	(1,261,586)	(586,928)
Amortization of deferred revenue from advance fees	(50,229)	(48,044)
Changes in		
Accounts receivable	114,499	(94,554)
Other receivables	84,307	(84,307)
Inventories	13,230	45,026
Prepaid expenses and other assets	(34,441)	76,166
Accounts payable	(8,254)	69,514
Deferred revenue	150	11,100
Other liabilities	309,679	(5,643)
	<u>\$ 1,468,804</u>	<u>\$ (272,369)</u>
<b>Supplemental Disclosure of Cash Flows Information</b>		
Property and equipment included in accounts payable	<u>\$ 80,348</u>	<u>\$ 194,620</u>
Interest paid for finance lease liabilities	<u>\$ 1,999</u>	<u>\$ 3,282</u>

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

***Nature of Operations***

Town and Country Manor of The Christian and Missionary Alliance (Town and Country) is a not-for-profit organization that provides housing, health care, and other related services to residents through the operation of a retirement facility containing 120 residential units, 52 assisted living units, a 95-bed health care facility providing skilled nursing care, and a 48-unit memory care facility. Town and Country's sole member is The Christian and Missionary Alliance (the Denomination), a Colorado nonprofit corporation.

***Use of Estimates***

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

***Cash***

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

At June 30, 2024, Town and Country's cash accounts exceeded federally insured limits by approximately \$1,235,000.

***Accounts Receivable***

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

***Debt Investments***

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

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

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

**Town and Country Manor of The Christian and Missionary Alliance**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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***Equity Investments***

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

***Net Investment Return***

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

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

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

***Assets Limited as to Use***

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

***Inventories***

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

***Property and Equipment***

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

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

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

**Town and Country Manor of The Christian and Missionary Alliance**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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***Long-Lived Asset Impairment***

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

No impairment losses were recognized during the years ended June 30, 2024 and 2023.

***Debt Issuance Costs***

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

***Net Assets***

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

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

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

***Patient and Resident Service Revenue***

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

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

***Advance Fees and Resident Services***

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



**Town and Country Manor of The Christian and Missionary Alliance**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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

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

It has been Town and Country's experience that refunds have been infrequent and not significant. At June 30, 2024 and 2023, the aggregate maximum refundable advance fees for CRC contracts were \$36,428 and \$98,868, respectively, before considering costs incurred.

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

**Contributions**

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

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

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

**Town and Country Manor of The Christian and Missionary Alliance**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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

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

***Excess (Deficiency) of Revenues Over Expenses***

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

***Income Taxes***

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

***Subsequent Events***

Subsequent events have been evaluated through September 19, 2024, which is the date the financial statements were issued.

**Note 2: Investments and Investment Return**

***Assets Limited as to Use***

Assets limited as to use, at June 30, 2024 and 2023 include:

	<u>2024</u>	<u>2023</u>
Externally restricted by donors - endowment		
Mutual funds invested in bonds	\$ 239,983	\$ 239,983
Held by trustee under indenture agreement		
Cash and cash equivalents	2,067,622	3,212,637
U.S. government agency obligations	<u>1,727,084</u>	<u>1,151,642</u>
	<u>3,794,706</u>	<u>4,364,279</u>
	<u>\$ 4,034,689</u>	<u>\$ 4,604,262</u>

**Town and Country Manor of The Christian and Missionary Alliance**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

***Other Investments***

Other investments, at June 30, 2024 and 2023, include:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 217,064	\$ 569,833
Money market mutual funds	1,828,430	-
Equity securities	922,971	1,147,458
Exchange traded funds invested in equities	4,782,897	3,813,844
Exchange traded funds invested in bonds	1,112,683	-
Corporate bonds	1,310,252	1,221,511
U.S. government agency obligations	-	1,077,480
Mutual funds invested in equities	515,072	581,374
Mutual funds invested in bonds	1,063,495	3,910,704
Alternative investments	<u>3,751,340</u>	<u>1,793,218</u>
	15,504,204	14,115,422
Less long-term investments	<u>(11,378)</u>	<u>(128,374)</u>
Total short-term investments	<u>\$ 15,492,826</u>	<u>\$ 13,987,048</u>

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

***Investment Return***

Total investment return comprised of the following:

	<u>2024</u>	<u>2023</u>
Interest and dividend income	\$ 455,425	\$ 435,022
Net realized and unrealized gains on trading securities	<u>1,261,586</u>	<u>586,928</u>
	<u>\$ 1,717,011</u>	<u>\$ 1,021,950</u>

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

**Town and Country Manor of The Christian and Missionary Alliance**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 3: Concentration of Credit Risk**

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

	<u>2024</u>	<u>2023</u>
Private Insurance and Managed Care	26%	14%
Medicare	46%	60%
Medi-Cal	24%	20%
Hospice	4%	3%
Private Pay	0%	3%
	<u>100%</u>	<u>100%</u>

**Note 4: Property and Equipment**

Property and equipment consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 2,123,449	\$ 2,143,768
Buildings and improvements	53,529,711	52,505,677
Equipment and furniture	4,566,536	4,498,975
	60,219,696	59,148,420
Less accumulated depreciation	<u>(25,252,048)</u>	<u>(23,506,543)</u>
	34,967,648	35,641,877
Construction-in-progress	<u>7,626</u>	<u>270,068</u>
Property and equipment, net	<u>\$ 34,975,274</u>	<u>\$ 35,911,945</u>

**Town and Country Manor of The Christian and Missionary Alliance**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 5: Other Assets**

Other assets consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Prepaid insurance (A)	\$ 1,556,278	\$ 1,621,249
Total other assets	<u>\$ 1,556,278</u>	<u>\$ 1,621,249</u>

(A) In June 2019, the California Municipal Finance Authority issued Insured Revenue Bonds, Series 2019 whose proceeds were then loaned to Town and Country (see Note 6). As a part of that transaction, an amount of \$1,949,130 was paid to Cal-Mortgage for insurance to be provided over the life of the bonds. The amount is being recorded as expense on a straight-line basis over 30 years. At June 30, 2024 and 2023, approximately \$65,000 is the current portion and recorded in prepaid expenses, on the balance sheets.

**Note 6: Long-Term Debt**

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

	<u>2024</u>	<u>2023</u>
California Municipal Finance Authority Insured Revenue Bonds, Series 2019 (A)	\$ 32,560,000	\$ 33,205,000
Total long-term debt	32,560,000	33,205,000
Unamortized premium	5,206,532	5,558,839
Less unamortized debt issuance costs	(705,071)	(752,781)
Less current maturities	<u>(670,000)</u>	<u>(645,000)</u>
Long-term debt, less current maturities	<u>\$ 36,391,461</u>	<u>\$ 37,366,058</u>

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

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

**Town and Country Manor of The Christian and Missionary Alliance**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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Town and Country is required to maintain certain operational and financial covenants. The bank has formally approved noncompliance with these requirements until the annual measurement with the June 30, 2025 financial statements.

Aggregate annual maturities requirements of long-term debt at June 30, 2024 are as follows:

	<u>Bonds</u>
2025	\$ 670,000
2026	700,000
2027	725,000
2028	755,000
2029	785,000
Thereafter	<u>28,925,000</u>
	<u>\$ 32,560,000</u>

**Note 7: Leases**

***Accounting Policies***

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

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

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

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

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

***Nature of Leases***

Town and Country has entered into the following lease arrangements:

***Finance Lease***

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

**Town and Country Manor of The Christian and Missionary Alliance**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**All Leases**

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

**Quantitative Disclosures**

The lease cost and other required information for the years ended June 30, 2024 and 2023 are:

	<u>2024</u>	<u>2023</u>
Lease cost		
Finance lease cost		
Amortization of right-of-use asset	\$ 53,005	\$ 53,005
Interest on lease liabilities	1,999	3,282
	<u>          </u>	<u>          </u>
Total lease cost	<u>\$ 55,004</u>	<u>\$ 56,287</u>
	<u>2024</u>	<u>2023</u>
Other information		
Weighted-average remaining lease term		
Finance leases	2.12 years	2.67 years
Weighted-average discount rate		
Finance leases	2.01%	2.18%

Future minimum lease payments and reconciliation to the balance sheets at June 30, 2024, are as follows:

	<u>Finance Leases</u>
2025	\$ 33,649
2026	22,011
2027	10,221
	<u>          </u>
Total future undiscounted lease payments	65,881
Less imputed interest	1,440
	<u>          </u>
Lease liabilities	<u>\$ 64,441</u>

## **Note 8: Patient and Resident Service Revenue**

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

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

### ***Performance Obligations***

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

### ***Transaction Price***

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

### ***Third-Party Payors***

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

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

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

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



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

***Patient and Uninsured Payors***

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

***Revenue Composition***

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

The composition of patient service revenue and resident services for the years ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
<b>Patient Service Revenue</b>		
Medicare	\$ 7,527,721	\$ 8,877,686
Managed Care	2,153,829	1,561,723
Medi-Cal	4,154,015	2,961,167
Hospice	631,479	595,942
Private Pay	376,061	568,255
	<u>\$ 14,843,105</u>	<u>\$ 14,564,773</u>
	<u>2024</u>	<u>2023</u>
<b>Resident Services</b>		
Private Pay	<u>\$ 14,958,084</u>	<u>\$ 11,388,484</u>

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

The composition of patient service revenue based on service lines for the years ended June 30, 2024 and 2023 is all skilled nursing care.

The composition of resident service revenue at June 30, 2024 and 2023 is residential care.

**Town and Country Manor of The Christian and Missionary Alliance**  
**Notes to Financial Statements**  
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The timing of revenue for patient service revenue and resident services at June 30, 2024 and 2023 is transferred over time.

***Financing Component***

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

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

***Contract Costs***

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

**Note 9: Functional Expenses**

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

	<b>2024</b>			
	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 12,650,035	\$ 1,849,566	\$ 138,532	\$ 14,638,133
Employee benefits	2,295,061	416,524	21,978	2,733,563
Medical supplies and drugs	973,431	-	-	973,431
Professional and contracted services	4,388,789	476,186	-	4,864,975
Telephone and utilities	801,929	43,682	-	845,611
Insurance	326,856	-	-	326,856
Other	2,813,990	660,413	20,133	3,494,536
Depreciation and amortization of ROU asset	1,956,533	128,083	-	2,084,616
Interest (includes amortization of issue costs and premium)	1,223,870	65,965	-	1,289,835
<b>Total expenses</b>	<b>\$ 27,430,494</b>	<b>\$ 3,640,419</b>	<b>\$ 180,643</b>	<b>\$ 31,251,556</b>

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	<b>2023</b>			
	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 13,251,643	\$ 1,709,225	\$ 115,047	\$ 15,075,915
Employee benefits	2,379,139	443,437	17,053	2,839,629
Medical supplies and drugs	1,052,514	-	-	1,052,514
Professional and contracted services	1,232,179	328,210	-	1,560,389
Telephone and utilities	774,187	42,022	-	816,209
Insurance	289,146	-	-	289,146
Other	2,884,307	823,038	7,593	3,714,938
Depreciation and amortization of ROU asset	1,876,349	123,863	-	2,000,212
Interest (includes amortization of issue costs and premium)	1,239,862	66,888	-	1,306,750
<b>Total expenses</b>	<b>\$ 24,979,326</b>	<b>\$ 3,536,683</b>	<b>\$ 139,693</b>	<b>\$ 28,655,702</b>

**Note 10: Pension Plan**

Town and Country sponsors a defined contribution plan for which all employees with at least two years of service and 1,000 hours of service per year are eligible. Town and Country makes a matching contribution amount equal to 25% of each participant's salary deferrals, limited to salary deferrals up to 4% of the participant's total compensation. Town and Country may also make a discretionary contribution each year. During 2024 and 2023, a 2% discretionary contribution was made. Town and Country contributed approximately \$183,000 and \$173,000 to the plan which includes both matching and discretionary contributions, for the years ended June 30, 2024 and 2023, respectively.

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**Note 11: Net Assets**

***Net Assets With Donor Restrictions***

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

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose		
Memory care project	\$ -	\$ 109,546
Employee appreciation	15,804	46,466
Employee fund	19,049	-
Resident benevolent fund	6,655	3,280
Endowments		
Subject to spending policy and appropriation		
Investments to be held in perpetuity, the income is expendable	<u>239,983</u>	<u>239,983</u>
	<u>\$ 281,491</u>	<u>\$ 399,275</u>

***Net Assets Without Donor Restrictions***

Net assets without donor restrictions as of June 30, 2024 and 2023 are undesignated.

***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restriction		
Memory care project	\$ 109,545	\$ 34,134
Employee appreciation	63,846	13,416
Employee fund	<u>5,480</u>	<u>-</u>
	<u>\$ 178,871</u>	<u>\$ 47,550</u>

**Note 12: Related-Party Transactions**

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

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**Note 13: Endowment**

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

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

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

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

The composition of net assets by type of endowment fund at June 30, 2024 and 2023, was:

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	<u>\$ -</u>	<u>\$ 239,983</u>	<u>\$ 239,983</u>
	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	<u>\$ -</u>	<u>\$ 239,983</u>	<u>\$ 239,983</u>

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Changes in endowment net assets for the years ended June 30, 2024 and 2023 were:

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 239,983	\$ 239,983
Investment return, net	-	31,815	31,815
Appropriations of endowment assets for expenditures	-	(31,815)	(31,815)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 239,983</u>	<u>\$ 239,983</u>
	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 239,983	\$ 239,983
Investment return, net	-	37,834	37,834
Appropriations of endowment assets for expenditures	-	(37,834)	(37,834)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 239,983</u>	<u>\$ 239,983</u>

***Investment and Spending Policies***

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

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

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

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***Underwater Endowments***

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

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

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

At June 30, 2024 and 2023, Town and Country has no underwater endowments.

**Note 14: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024 and 2023, comprise the following:

	<u>2024</u>	<u>2023</u>
Financial assets at year-end		
Cash	\$ 1,130,875	\$ 1,128,833
Investments	15,504,204	14,115,422
Accounts receivable	1,779,643	1,894,142
Other receivables	-	84,307
Assets limited as to use	<u>4,034,689</u>	<u>4,604,262</u>
Total financial assets	<u>22,449,411</u>	<u>21,826,966</u>
Less amounts not available to be used within one year		
Funds held by trustees	3,794,706	4,364,279
Donor-imposed restrictions		
Externally restricted by donors	281,491	399,275
Long-term investments	<u>11,378</u>	<u>128,374</u>
Financial assets not available to be used within one year	<u>4,087,575</u>	<u>4,891,928</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 18,361,836</u>	<u>\$ 16,935,038</u>

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

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

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

**Note 15: Disclosures About Fair Value of Assets**

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

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



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***Recurring Measurements***

The following tables present the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 2023:

	<b>2024</b>			
	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Money market mutual funds	\$ 1,828,430	\$ 1,828,430	\$ -	\$ -
U.S. government agency obligations	1,727,084	1,727,084	-	-
Equity securities	922,971	922,971	-	-
Exchange traded funds invested in equities	4,782,897	4,782,897	-	-
Exchange traded funds invested in bonds	1,112,683	1,112,683	-	-
Corporate bonds	1,310,252	1,310,252	-	-
Mutual funds invested in equities	515,072	515,072	-	-
Mutual funds invested in bonds	<u>1,303,478</u>	<u>1,303,478</u>	<u>-</u>	<u>-</u>
Total assets in the fair value hierarchy	13,502,867	13,502,867	-	-
Alternative investments measured at net asset value (A)	<u>3,751,340</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investments at fair value	<u><u>\$ 17,254,207</u></u>	<u><u>\$ 13,502,867</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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	<b>2023</b>			
	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
U.S. government agency obligations	\$ 2,229,122	\$ 2,229,122	\$ -	\$ -
Equity securities	1,147,458	1,147,458	-	-
Exchange traded funds				
invested in equities	3,813,844	3,813,844	-	-
Corporate bonds	1,221,511	1,221,511	-	-
Mutual funds invested in equities	581,374	581,374	-	-
Mutual funds invested in bonds	4,150,687	4,150,687	-	-
Total assets in the fair value hierarchy	13,143,996	13,143,996	-	-
Alternative investments measured at net asset value (A)	1,793,218	-	-	-
Investments at fair value	<u>\$ 14,937,214</u>	<u>\$ 13,143,996</u>	<u>\$ -</u>	<u>\$ -</u>

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

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2024.

***Investments and Assets Limited as to Use***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At June 30, 2024 and 2023, no investments were classified within Level 2 or Level 3 of the hierarchy.

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**Alternative Investments**

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

	<b>2024</b>		
	<b>Net Asset Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Equity long/short hedge funds (A)	\$ 88,157	Semi-annual	105 days
Middle market hedge funds (B)	1,311,064	Quarterly/ Monthly	30 days
Private lending hedge funds (C)	642,753	Quarterly	30 days
Multistrategy hedge funds (D)	1,112,569	Quarterly/ Monthly	30 days
Private market hedge funds (E)	596,797	Monthly	30 days
Total	<u>\$ 3,751,340</u>		
	<b>2023</b>		
	<b>Net Asset Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Equity long/short hedge funds (A)	\$ 797,715	Semi-annual	105 days
Multi-strategy hedge funds (B)	972,045	Quarterly/ Monthly	90 days
Private real estate (C)	23,458	Monthly	4 days
Total	<u>\$ 1,793,218</u>		

(A) This class includes investments in hedge funds that invest both long and short primarily in U.S. common stocks and private investment companies. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks and from a net-long position to a net-short position. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Investments representing approximately 10% of the value of the investments in this class cannot be redeemed because of a one-year hold-back period.

(B) This class includes investments in hedge funds that invest in middle market companies, including companies in special situations, portfolio companies, and emerging markets. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

(C) This class includes investments in hedge funds that invest in private lending. A majority of the investments are targeted at stressed sector/rescue lending, situational lending, sponsor-related financings, and secondary private loans and loan portfolios. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

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- (D) This class includes investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The funds' composite portfolio includes direct equity, direct credit, US common stock, and asset-based financing. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- (E) This class includes investments in hedge funds that invest in private markets. A majority of the investments are targeted at direct private equity opportunities predominantly through secondaries and co-investments. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

### **Note 16: Significant Estimates and Concentrations**

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

#### ***Variable Consideration***

Estimates of variable consideration in determining the transaction price for patient and resident service revenue as described in Notes 1 and 8.

#### ***Professional Liability Coverage and Claims***

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

Based upon Town and Country's claims experience, an accrual had been made for Town and Country's estimated medical malpractice costs, including costs associated with litigating or settling claims, under its malpractice insurance policy, amounting to approximately \$0 and \$44,000 as of June 30, 2024 and 2023, respectively, included in accrued expenses on the balance sheets. It is reasonably possible that this estimate could change materially in the near term.

#### ***Litigation***

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

#### ***Investments***

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