

**MONTECITO RETIREMENT
ASSOCIATION**

DECEMBER 31, 2023 AND 2022

FINANCIAL STATEMENTS



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

MONTECITO RETIREMENT ASSOCIATION

Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	1 - 2
Balance Sheets.....	3 - 4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows.....	7
Statement of Functional Expenses	8 - 9
Notes to Financial Statements	10 - 29



INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Montecito Retirement Association:**

Opinion

We have audited the accompanying financial statements of Montecito Retirement Association (the Association) which comprise the balance sheets as of December 31, 2023 and 2022, the related statements of operations, changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2023 and 2022, and the results of its operations 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 the Association 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 the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 the Association'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 the Association'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.

Battlett, Pringh + Wolf, LLP
Santa Barbara, California
April 23, 2024

MONTECITO RETIREMENT ASSOCIATION
BALANCE SHEETS
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 5,628,122	\$ 6,864,773
Accounts receivable, net of allowance for credit losses of \$135,554 in 2023 and 2022	2,280,500	2,215,250
Notes receivable, current portion	897,879	161,791
Accrued interest receivable	2,303	545
Pledges receivable, current portion	100,000	195,467
Inventories	222,363	247,783
Prepaid expenses and deposits	846,277	951,451
	<u>9,977,444</u>	<u>10,637,060</u>
Long-Term Reserves:		
Liquid reserve assets	28,506,957	21,316,881
Third party restricted deposits	466,925	765,250
Donor restricted funds	2,278,833	1,716,840
	<u>31,252,715</u>	<u>23,798,971</u>
Property, Plant and Equipment:		
Land and buildings	78,455,920	78,455,920
Fixtures and equipment	6,351,225	6,300,815
Improvements	84,635,478	80,956,181
Construction in progress	1,108,714	519,366
	<u>170,551,337</u>	<u>166,232,282</u>
Less accumulated depreciation	<u>(57,154,338)</u>	<u>(50,630,677)</u>
	<u>113,396,999</u>	<u>115,601,605</u>
Other Assets:		
Notes receivable, net of current portion	-	77,031
Pledges receivable, net of current portion	1,988,508	2,123,620
Deferred compensation plan	250,718	211,677
Other assets	261,558	261,558
	<u>2,500,784</u>	<u>2,673,886</u>
Total other assets	<u>2,500,784</u>	<u>2,673,886</u>
Total assets	<u>\$ 157,127,942</u>	<u>\$ 152,711,522</u>

See accompanying notes

MONTECITO RETIREMENT ASSOCIATION
BALANCE SHEETS
December 31, 2023 and 2022

	2023	2022
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 1,439,338	\$ 790,965
Accrued expenses	3,044,851	3,276,656
Deferred revenue	2,107,331	2,232,182
Long-term debt, current portion	1,620,613	2,028,498
Total current liabilities	8,212,133	8,328,301
Long-Term Liabilities:		
Long-term debt, net of current portion	16,588,494	18,172,450
Refundable fees	32,737,644	51,516,543
Entry fee deposits	2,316,617	1,735,536
Deferred revenue from entrance fees	59,307,708	40,135,003
Deferred compensation plan	250,718	211,677
Total long-term liabilities	111,201,181	111,771,209
Total liabilities	119,413,314	120,099,510
Net Assets:		
Without donor restrictions	35,435,792	30,890,170
With donor restrictions		
Purpose restrictions	1,593,741	1,323,595
Perpetual in nature	685,095	398,247
Total net assets	37,714,628	32,612,012
Total liabilities and net assets	\$ 157,127,942	\$ 152,711,522

See accompanying notes

MONTECITO RETIREMENT ASSOCIATION
STATEMENT OF OPERATIONS
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in net assets without donor restrictions:		
Operating revenue and gains:		
Monthly fees	\$ 24,547,929	\$ 22,604,579
Net entrance fees earned	10,759,165	10,791,891
Medical revenue	1,281,958	1,115,416
Service income	1,081,212	835,036
Contributions	61,856	171,522
Interest and dividend income, net	799,544	418,233
Other operating income	9,925	199,980
Net assets released from restrictions	804,145	658,162
Total revenue, gains and other support	<u>39,345,734</u>	<u>36,794,819</u>
Expenses:		
Food services	8,034,054	7,328,019
Outside medical and ancillary services	990,420	963,868
Medical center	4,164,503	4,378,007
Housekeeping	2,216,811	2,193,327
Plant operations and maintenance	3,593,973	3,106,945
Information technology	803,463	796,012
General and administrative	4,857,324	4,392,300
Education	151,083	111,330
Security	693,015	620,911
Philanthropy	213,272	200,907
Marketing	529,377	533,216
Personal care	2,035,592	1,929,529
Resident support	147,038	141,190
Clinic	787,210	716,512
Health and fitness	164,474	143,775
Life enrichment	846,863	683,837
Depreciation	6,688,207	6,802,436
Interest expense	620,861	671,905
Total expenses	<u>37,537,540</u>	<u>35,714,026</u>
Income from operations	<u>1,808,194</u>	<u>1,080,793</u>
Non-operating revenue, gains and other support:		
Realized gains (losses) on sales of investments	927,032	(3,203)
Unrealized gains (losses) on investments	1,761,493	(4,287,298)
Loss on disposal of assets	(3,781)	-
Net assets released from restriction - purchase of equipment	52,684	215,328
Increase (decrease) in net assets without donor restrictions	<u>\$ 4,545,622</u>	<u>\$ (2,994,380)</u>

See accompanying notes

MONTECITO RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN NET ASSETS
For the Years Ended December 31, 2023 and 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
	2023		
Change in net assets without donor restrictions	\$ 4,545,622	\$	\$ 4,545,622
Contributions		1,295,515	1,295,515
Investment income		118,308	118,308
Net assets released from restrictions		(856,829)	(856,829)
Change in net assets	4,545,622	556,994	5,102,616
Net assets at beginning of year	30,890,170	1,721,842	32,612,012
Net assets at end of year	<u>\$ 35,435,792</u>	<u>\$ 2,278,836</u>	<u>\$ 37,714,628</u>
	2022		
Change in net assets without donor restrictions	\$ (2,994,380)	\$	\$ (2,994,380)
Contributions		895,387	895,387
Investment income (loss)		(28,916)	(28,916)
Net assets released from restrictions		(873,490)	(873,490)
Change in net assets	(2,994,380)	(7,019)	(3,001,399)
Net assets at beginning of year	33,884,550	1,728,861	35,613,411
Net assets at end of year	<u>\$ 30,890,170</u>	<u>\$ 1,721,842</u>	<u>\$ 32,612,012</u>

See accompanying notes

MONTECITO RETIREMENT ASSOCIATION
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Cash received from residents for services	\$ 26,071,564	\$ 24,037,147
Investment income received	916,094	398,478
Contributions and grants received	1,175,188	1,154,183
Reimbursements for services to non-residents	496,934	333,929
Cash paid for operations	(29,446,174)	(28,018,342)
Cash paid for interest	(587,163)	(642,208)
	<u>(1,373,557)</u>	<u>(2,736,813)</u>
Cash Flows from Investing Activities:		
Collection of notes receivable	161,791	161,787
Expenditures for plant and equipment	(4,719,576)	(7,567,764)
Transfers of cash out of investment accounts	352,752	917,359
Transfers of cash in to investment accounts	(3,793,262)	(1,266,321)
	<u>(7,998,295)</u>	<u>(7,754,939)</u>
Cash Flows from Financing Activities:		
Principal payments on long term debt	(2,028,481)	(5,697,119)
Proceeds from net entrance fees	10,806,911	15,434,946
Refunds to residents and applicants	(1,088,387)	(110,750)
Deposits received	1,347,180	1,288,093
Proceeds from contributions restricted for:		
Property and equipment purchases	158,624	233,623
Endowment	264,063	43,574
	<u>9,459,910</u>	<u>11,192,367</u>
Net increase in cash, cash equivalents, and restricted cash	88,058	700,615
Cash, cash equivalents, and restricted cash at beginning of year	<u>8,493,302</u>	<u>7,792,687</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 8,581,360</u>	<u>\$ 8,493,302</u>

See accompanying notes

MONTECITO RETIREMENT ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023

	Resident Services	General and Administrative	Philanthropy	2023 Total
Salaries and wages	\$ 12,708,580	\$ 2,160,701	\$ 123,503	\$ 14,992,784
Payroll taxes	988,337	163,437	9,891	1,161,665
Health insurance	1,371,052	106,737	13,483	1,491,272
Retirement	516,216	131,447	10,167	657,830
Other benefits	794,060	314,140	25,955	1,134,155
Workers' compensation	377,406	31,344	3,572	412,322
Professional fees	147,537	324,723	-	472,260
Supplies	750,622	91,453	2,048	844,123
Food purchases	2,171,594	8,172	291	2,180,057
Other medical services	1,089,222	-	-	1,089,222
Repairs and maintenance	195,560	137,124	-	332,684
Rental and lease	-	70,265	-	70,265
Purchased services	514,895	307,074	11,904	833,873
Laundry and linen	166,557	-	-	166,557
Landscaping	552,700	-	-	552,700
Utilities	1,548,215	19,755	759	1,568,729
Insurance	1,537,987	19,624	754	1,558,365
Miscellaneous	252,123	254,299	7,869	514,291
Activities and events	27,536	53,308	4,589	85,433
Donations	-	109,885	-	109,885
Depreciation	6,600,749	84,224	3,234	6,688,207
Interest expense	612,743	7,818	300	620,861
Totals	<u>\$ 32,923,691</u>	<u>\$ 4,395,530</u>	<u>\$ 218,319</u>	<u>\$ 37,537,540</u>

See accompanying notes

MONTECITO RETIREMENT ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Resident Services	General and Administrative	Philanthropy	2022 Total
Salaries and wages	\$ 11,671,627	\$ 2,362,935	\$ 124,882	\$ 14,159,444
Payroll taxes	886,028	157,765	8,149	1,051,942
Health insurance	1,786,853	180,294	23,541	1,990,688
Retirement	610,093	165,488	10,926	786,507
Other benefits	622,282	160,136	4,107	786,525
Workers' compensation	390,067	33,533	3,319	426,919
Professional fees	121,211	207,077	-	328,288
Supplies	751,109	87,196	2,545	840,850
Food purchases	2,047,382	5,375	-	2,052,757
Other medical services	1,101,035	104	-	1,101,139
Repairs and maintenance	130,097	5,147	-	135,244
Rental and lease	555	70,217	-	70,772
Purchases services	357,259	272,057	9,904	639,220
Laundry and linen	166,678	-	-	166,678
Landscaping	438,185	-	-	438,185
Utilities	1,329,552	53,087	4,505	1,387,144
Insurance	1,342,752	17,133	658	1,360,543
Miscellaneous	197,168	219,775	9,375	426,318
Activities and events	3,603	24,408	4,161	32,172
Donations	-	58,350	-	58,350
Depreciation	6,713,483	85,663	3,290	6,802,436
Interest expense	663,119	8,461	325	671,905
Totals	<u>\$ 31,330,138</u>	<u>\$ 4,174,201</u>	<u>\$ 209,687</u>	<u>\$ 35,714,026</u>

See accompanying notes

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of Business

Montecito Retirement Association (the Association), a nonprofit California corporation, operates Casa Dorinda, a lifecare retirement community. The Association was formed primarily for the purpose of providing housing, health care, and other related services to residents through the operation of a retirement facility containing 234 independent living apartments, 38 assisted care rooms, and a 52-bed skilled nursing facility. Assisted Living is comprised of 27 personal care rooms and 11 memory care rooms. The Association is licensed by the State of California, Department of Social Services. The skilled nursing facility is also licensed by the California Department of Public Health.

The Association enters into contracts with residents to provide services to the resident for their remaining life. In consideration for future services, the residents pay entrance fees based on various factors including the size of apartment upon entering the facility. In addition to the entrance fee, residents pay monthly fees based on actual costs of operations. Annual increases in monthly fees are based on current and projected costs of operations.

There are no statutory or contractual requirements to retain entrance fees in escrow accounts.

Note 2 - Summary of Significant Accounting Policies

A) Presentation

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

Net Assets Without Donor Restriction

Net assets available for current support of Association activities and not subject to donor restrictions. These net assets may be used at the discretion of the Association's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

B) Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in computing the liability for deferred entrance fees and the obligation to provide future services as discussed in note 2C and 2G, and useful lives and depreciation expense on capitalized assets. Actual results could differ from those estimates.

C) Deferred Revenue from Entrance Fees

Fees paid by a resident upon entering into a life-care contract are recorded as deferred revenue and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident.

D) Refundable Fees

Fees paid by a resident upon entering into a life-care contract are refundable upon cancellation by either party during the first 90 days, less a processing fee. After 90 days, under agreements signed prior to February 2023, entry fees are refundable on a pro-rata basis within five years, except in the case of death, in which the resident's estate receives no refund of the entrance fee after two years. In February 2023, the Association implemented a revised life care agreement which modified the pro-rata refundable period to be three years in all cases. These changes are only applicable to agreements entered into after the revision was implemented.

E) Entry Fee Deposits

Fees paid as deposits before entering into a life-care contract are partially refundable and will be applied to entrance fees upon move in.

F) Application Fees

Application fees, which are nonrefundable, are recorded as income when received.

G) Obligation to Provide Future Services

The Association annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. The obligation is discounted at 3%.

As of December 31, 2023 and 2022, there was no accruable obligation to provide future services. Accordingly, no liability was recorded.

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

H) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less, except for any cash, money market funds, or other cash equivalents included in the Association's long-term liquid reserve accounts.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,628,122	\$ 6,864,773
Third party restricted deposits	204,556	201,113
Donor restricted funds	<u>2,748,682</u>	<u>1,427,416</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 8,581,360</u>	<u>\$ 8,493,302</u>

The nature and purpose of cash restrictions are described in Note 4.

I) Basis of Accounting for Receivables

Accounts receivable and notes receivable are carried at their estimated collectible amount. Interest income on notes receivable is recognized annually.

Pledges receivable are classified as either collectible in one year or less, or collectible in multiple years. Those deemed collectible in one year or less are stated at their full face value. Those classified as multi-year pledges are stated at their net present value using a risk-adjusted discount rate.

Management periodically evaluates receivables for collectability on a specific-account basis based on past events and current conditions, and records an allowance for expected credit losses for any amounts estimated to be uncollectible.

J) Inventories

Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out basis.

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

K) Property, Plant and Equipment

Property, plant and equipment are recorded at cost with depreciation provided on the straight-line basis over the estimated useful lives of the assets. Interest costs on borrowed funds during the period of construction of property, plant, and equipment are capitalized as a component of the cost of acquiring those assets. Interest paid which was included as expenditures for plant and equipment on the statement of cash flows was \$0 for the years ended December 31, 2023 and 2022.

The estimated useful lives of the assets are as follows:

Buildings	35 - 40 years
Fixtures and equipment	3 - 15 years
Improvements	3 - 40 years

L) Financial Risk

The Association maintains its cash in bank deposit accounts and money market funds which at times may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash balances.

The Association invests in a professionally managed portfolio that contains fixed income securities, equity securities, and alternative investments. Such investments are exposed to various systematic risks such as market and credit. Due to the level of risk associated with such investments it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

M) Investments

Investment purchases are recorded initially at cost if purchased, or at fair value on the date of donation if donated. Thereafter, investments are reported at their fair values on the balance sheets. Interest and dividend income is reported in the statement of operations net of external and direct internal investment expenses.

N) Revenue Recognition

The Association recognizes revenue under Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC 606). Revenues that are accounted for outside the scope of ASC 606 include funds received by the Association which are voluntary and un-reciprocal contributions, as well as investment income including realized and unrealized gains and losses on investments.

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

N) Revenue Recognition (Continued)

In accordance with ASC 606, revenue is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing services to residents, and is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Association. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Association 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. Performance obligations satisfied over time are related to monthly fees, entrance fees, medical revenue, and service income, as further described below. There are no significant performance obligations which transfer to the customer at a point in time.

Monthly Fees

Monthly fees are specified in agreements with residents and are dependent upon apartment size and occupancy. Monthly fees are subject to periodic increases for inflation or increased operating costs. Under the terms of the agreements the Association provides daily meals, weekly housekeeping, utilities, transportation, fitness facilities and classes, various life enrichment activities and outings, security services, and medical services which include a walk-in clinic, on site physicians, assisted living, memory care, skilled nursing facilities, and other Medicare approved health services. Revenue is recognized when performance obligations are satisfied by transferring control of the service provided to the resident, which is monthly as the services are performed.

Entrance Fees

Residents are required to pay an entrance fee as described in Notes 2C and 2D above, the amount of which is specified in written agreements with each resident. The performance obligation for nonrefundable entrance fees (refundable on a decreasing basis for a fixed period of time, at which point the entrance fees become nonrefundable) is that the Association is standing ready to provide a service such that the resident can continue to live in the community and access the appropriate level of care based on his or her needs. The Association has determined that these are a series of distinct services that are considered one performance obligation which is satisfied over time. Therefore, entrance fees are recorded as contract liabilities and are recognized as revenue on a straight-line basis over each individual resident's expected remaining life.

Medical Revenue

Medical revenue is reported at the estimated net realizable amounts from Medicare for services rendered, including estimated retroactive adjustments. Inpatient services for Medicare beneficiaries are paid at Patient Driven Payment Model (PDPM) rates. Outpatient services are based on a fixed fee schedule as determined by Medicare. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Revenue is recognized when performance obligations are satisfied by transferring control of the service provided to the resident, which is over the course of the related appointment or treatment.

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

N) Revenue Recognition (Continued)

Service Income

Service income includes revenues related to non-healthcare services such as parking, maintenance fees, guest and employee meals, guest room rentals, beauty shop charges, laundry services, special activities, and various administrative charges. Revenue is recognized when performance obligations are satisfied.

Disaggregation of Revenue

The Association disaggregates its revenue from contracts with customers by payor source, as management believes it best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors.

O) Income Taxes

The Association is a not-for-profit charitable corporation and is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(3) and 23701(d), respectively.

P) Debt Issuance Costs

Debt issuance costs are amortized using the straight-line method over the term of the related financing agreement.

Q) Income from Operations

The statement of operations includes income from operations. Non-operating amounts presented include realized and unrealized gains and losses on investments, gains and losses on disposal of assets, satisfactions of restrictions on contributions used for purchases of equipment, and net gain on insurance recoveries.

R) Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include depreciation, amortization and utilities, which are allocated on a square footage basis. Insurance and information technology costs are allocated based on type of coverage and usage. Administration, communication, and marketing expenses are recorded under management and administration.

S) Ancillary and Outside Medical Services

Outside medical services include hospital, physician and other copayments and deductibles on medical services. Ancillary services include expenses related to physical therapy, occupational therapy, pharmacy and speech therapy.

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

T) Recently Adopted Accounting Pronouncements

Allowance for Credit Losses

Effective January 1, 2023, the Association adopted ASU 2016-13 *Financial Instruments – Credit Losses (ASC 326)*: Measurement of Credit Losses on Financial Instruments, issued by the Financial Accounting Standards Board. The purpose of the standard is to improve balance sheet transparency and requires companies to recognize the estimated credit losses expected to occur over the remaining life of certain financial assets.

As a result of the guidance, the Association was required to estimate and record credit losses related to any applicable financial assets. During adoption, the Association considered the impacts of ASC 326 on all receivables and investment securities on the Association's balance sheet. As a result of adopting ASC 326, the Association determined that the standard did not have a material impact to any of the Association's financial assets and no adjustments to credit losses were required.

Note 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, consist of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,628,122	\$ 6,864,773
Accounts receivable	2,280,500	2,215,250
Current portion of notes receivable	897,879	161,791
Accrued interest receivable	2,303	545
Pledges receivable, current portion	100,000	195,467
Liquid reserve assets	<u>28,506,957</u>	<u>21,316,881</u>
	<u>\$ 37,415,761</u>	<u>\$ 30,754,707</u>

As part of the Association's liquidity management procedures, cash in excess of daily requirements are invested in short term investments and money market funds. The Association maintains 30-60 days in cash and cash equivalents on hand.

Liquid reserve assets are those invested with long-term intentions for future operating and capital requirements. Funds are transferred from liquid reserve assets as needed. The Association has other assets limited to use as described more fully in Note 4, which are not available for general expenditure within the next year and are not reflected in the amounts above.

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 4 - Long Term Reserves

Long term reserves include undesignated operating reserves invested for future general use as well as funds which are limited to use by donors, other outside parties, or the Board of Directors.

Limited use assets include the following:

- Donor restricted assets are comprised of donations from residents and the general public which have been designated for specified purposes.
- Restricted deposits include:
 - Funds held by the Association's bond trustee.
 - Deposits assigned to third parties as security for the performance of site improvements.

The composition of limited use assets at December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Donor Restricted:		
Money market funds	\$ 2,748,682	\$ 1,427,416
Certificates of deposit	4,722	4,089
Alternative investment funds	347,873	325,722
Due (to) from liquid reserve assets	(822,444)	(40,387)
Total donor restricted	<u>\$ 2,278,833</u>	<u>\$ 1,716,840</u>
Third-Party Restricted Deposits:		
Money market funds	\$ 204,556	\$ 201,113
Certificates of deposit	262,369	564,137
Total restricted deposits	<u>\$ 466,925</u>	<u>\$ 765,250</u>

Liquid reserve assets are available for use in general operations and are invested with long-term intentions. The composition of liquid reserve assets is as follows:

	<u>2023</u>	<u>2022</u>
Liquid Reserve Assets:		
Money market funds	\$ 1,473,115	\$ 1,450,774
Mutual funds - equities	13,652,082	13,565,106
Mutual funds - bond funds	12,559,316	6,260,614
Due (to) from donor restricted assets	822,444	40,387
Total liquid reserves	<u>\$ 28,506,957</u>	<u>\$ 21,316,881</u>

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 5 - Accounts Receivable

Accounts receivable consist of the following:

	2023	2022
Due from residents	\$ 2,103,393	\$ 2,052,786
Health insurance programs, net of allowance for credit losses of \$135,554 in 2023 and 2022	99,143	71,631
Other receivables	77,964	90,833
	\$ 2,280,500	\$ 2,215,250

Accounts receivable from residents consists primarily of monthly fees billed in advance for services to be provided in the following month and corresponds to the deferred revenue from monthly fees shown in current liabilities.

Note 6 - Notes Receivable

Notes receivable are as follows:

	2023	2022
Notes receivable from entrance fees. Qualifying residents have the option to pay entrance fees in equal installments over a period of up to four years. Interest is charged at 3.0% per year. There were two outstanding notes receivable from entrance fees as of December 31, 2023 and 2022, respectively.	\$ 897,879	\$ 238,822
Total notes receivable	897,879	238,822
Less current portion	897,879	161,791
Notes receivable, net of current portion	\$ -	\$ 77,031

The following is a summary of principal payments to be received during the years ended December 31:

2024	\$ 897,879
	\$ 897,879

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 7 - Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable. Amounts expected to be collected within one year are recorded at net realizable value. Unconditional pledges expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. The discount rate used was 2.30% in 2023 and 2022. In subsequent years, amortization of the discount is included in contribution revenue in the statement of operations. The Association determines the allowance for uncollectible pledges receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Pledges receivable are written off when deemed uncollectible. All pledges were restricted for construction of the new personal and memory care building, and were released from restriction upon completion of the project during 2021.

Pledges receivable, are due to be collected as follows at December 31:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 100,000	\$ 195,467
One to five years	351,500	45,000
More than five years	<u>2,143,339</u>	<u>2,609,635</u>
Total pledges receivable	2,594,839	2,850,102
Less: Unamortized discount	<u>(506,331)</u>	<u>(531,015)</u>
Pledges receivable, net	<u>\$ 2,088,508</u>	<u>\$ 2,319,087</u>

Note 8 - Fair Value Measurements

Under the Financial Accounting Standards Board's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Association uses various methods including market, income and cost approaches. Based on these approaches, the Association often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs.

The Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Association is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 8 - Fair Value Measurements (Continued)

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2: Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The Association has various processes and controls in place to ensure that fair value is reasonably estimated. A model validation policy governs the use and control of valuation models used to estimate fair value. This policy requires review and approval of models, and periodic reassessments of models to ensure that they are continuing to perform as designed. The Association performs due diligence procedures over third-party pricing service providers in order to support their use in the valuation process. Where market information is not available to support internal valuations, independent reviews of the valuations are performed and any material exposures are escalated through a management review process.

While the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the years ended December 31, 2023 and 2022, there were no changes to the Association's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Certificates of Deposit: Valued at original cost plus accrued interest, which approximates fair value.

Mutual Funds: Valued at the net asset value (NAV) of shares held by the Association at year end. The NAV is based on the quoted price in an active market.

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 8 - Fair Value Measurements (Continued)

Alternative Investment Funds: Valued at the fair values of fund investments as reported by the Santa Barbara Foundation (the Foundation). The Santa Barbara Foundation Long Term Endowment Pool is designed for accounts with a long-term endowed investment horizon. The portfolio is invested in a diversified mix of global assets which include illiquid private equity, real assets, hedge funds, fixed income, public equities (both domestic and international) and real estate. The portfolio is structured to achieve a total return equal to spending needs plus inflation. The Foundation holds, manages, and invests the assets of the Fund as part of their investment portfolio. Distributions to the Association are made in accordance with the Foundation’s spending policy, and extraordinary distributions must be approved by the Foundation’s Board of Trustees.

Deferred Compensation Plan Obligations: The deferred compensation plan obligations are based on the fair market value of the deferred compensation plan assets, which are observable inputs; however, the liabilities are not publicly traded and are therefore, considered Level 2 items.

The following tables set forth by level, within the fair value hierarchy, the Association’s assets at fair value as of December 31, 2023 and 2022:

	December 31, 2023			
Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Long term reserves:				
Cash and money market funds	\$ 4,426,353	\$ 4,426,353	\$ -	\$ -
Mutual Funds - bond funds	12,559,316	12,559,316	-	-
Mutual Funds - equities	13,652,082	13,652,082	-	-
Certificates of deposit	267,091		267,091	
Alternative investment funds	347,873	-	-	347,873
Deferred compensation plan:				
Mutual Funds - equity funds	234,574	234,574	-	-
Mutual Funds - fixed income	16,144	16,144	-	-
Total assets	\$ 31,503,433	\$ 30,888,469	\$ 267,091	\$ 347,873
Deferred compensation plan	\$ 250,718	\$ -	\$ 250,718	\$ -
Total liabilities	\$ 250,718	\$ -	\$ 250,718	\$ -

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 8 - Fair Value Measurements (Continued)

	December 31, 2022			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long term reserves:				
Cash and money market funds	\$ 3,079,303	\$ 3,079,303	\$ -	\$ -
Mutual Funds - bond funds	6,260,614	6,260,614	-	-
Mutual Funds - equities	13,565,106	13,565,106	-	-
Certificates of deposit	568,226	-	568,226	-
Alternative investment funds	325,722	-	-	325,722
Deferred compensation plan:				
Mutual Funds - equity funds	196,081	196,081	-	-
Mutual Funds - fixed income	15,596	15,596	-	-
Total assets	\$ 24,010,648	\$ 23,116,700	\$ 568,226	\$ 325,722
Deferred compensation plan	\$ 211,677	\$ -	\$ 211,677	\$ -
Total liabilities	\$ 211,677	\$ -	\$ 211,677	\$ -

The Association evaluated the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2023 and 2022, there were no significant transfers in or out of Level 3.

The following table includes a rollforward of the amounts for the years ended December 31, 2023 and 2022 for financial instruments classified within Level 3.

	Alternative Investment Funds
Balance, December 31, 2021	\$ 366,818
Investment return (loss), net	(41,096)
Balance, December 31, 2022	325,722
Investment return, net	22,151
Balance, December 31, 2023	\$ 347,873

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 9 - Long-Term Debt

Long term debt is comprised of the following at December 31:

	<u>2023</u>	<u>2022</u>
Revenue Bonds Series 2017B	\$ 14,108,265	\$ 14,669,288
Revenue Bonds Series 2017C	456,994	1,357,126
BBVA Loan	<u>3,911,437</u>	<u>4,478,763</u>
Total long term debt	18,476,696	20,505,177
Less debt issuance costs	(267,589)	(304,229)
Less current portion	<u>(1,620,613)</u>	<u>(2,028,498)</u>
Total long term debt, net of current portion	<u>\$ 16,588,494</u>	<u>\$ 18,172,450</u>

Revenue Bonds Series 2017A, 2017B, 2017C

In June 2017, pursuant to a Loan Agreement between the Association and the California Health Facilities Financing Authority (the Authority), the Authority has issued revenue bonds which were directly placed with a commercial bank, and has agreed to the loan of the proceeds of the bonds to the Association. The Association used funds to 1) finance the construction of 22 new independent living homes, a new personal care and memory care building, refurbishment of the existing personal care building, enhanced infrastructure, an updated clinic facility, a new dining venue, and road improvements (the 2017 Project or Bliss Expansion) and 2) prepay its obligations under the Second Installment Sale Agreement related to the 2012 COPs. The obligations issued under the Loan Agreement are secured by a gross receivables pledge as well as a security interest in the Association's facilities.

Series 2017A Bonds

The Revenue Bonds (Montecito Retirement Association) Series 2017A were issued to provide temporary financing for the 2017 Project in the principal amount of up to \$30,500,000. The Series 2017A Bonds accrued interest at a variable rate equal to 65.01% of the 30-day LIBOR plus 1.25%. and had an original maturity date of June 1, 2022, which was extended to June 1, 2024. The 2017A Bonds were fully repaid during 2022.

Series 2017B Bonds

The Revenue Bonds (Montecito Retirement Association) Series 2017B were issued to provide permanent financing for the 2017 Project in the principal amount of up to \$16,000,000. The Series 2017B Bonds accrue interest at a fixed rate of 3.02% and mature on June 1, 2032 with a balloon payment. The 2017B Bonds are subject to mandatory sinking fund redemption on the first day of each month commencing July 1, 2020, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption. The 2017B Bonds are drawdown bonds and may be issued in several increments as the Association incurs related expenses and receives funding on a reimbursement basis.

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 9 - Long-Term Debt (Continued)

Projected sinking fund principal payments for the 2017B Bonds are as follows:

2024	\$ 578,203
2025	595,908
2026	614,155
2027	632,963
2028	652,345
Thereafter	<u>11,034,691</u>
	<u>\$ 14,108,265</u>

Series 2017C Bonds

The Refunding Revenue Bonds (Montecito Retirement Association) Series 2017C were issued to refinance the 2012 COPs, in the principal amount of \$6,000,000. The Series 2017C Bonds accrue interest at a fixed rate of 2.04% and mature on June 1, 2024. The 2017C Bonds are subject to mandatory sinking fund redemption on the first day of each month, commencing July 1, 2017, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption.

Sinking fund principal payments for the 2017C Bonds are as follows:

2024	<u>\$ 456,994</u>
	<u>\$ 456,994</u>

BBVA Bank Loan

In February 2020 the Association entered into a 10-year fixed rate bank loan for \$6,000,000 at 3.14%. The loan was obtained to minimize spending of reserves on the Bliss Expansion. Monthly payments of principal and interest in the amount of \$58,325 were due beginning in March 2020.

Principal payments required on the BBVA bank loan are as follows:

2024	\$ 585,416
2025	604,065
2026	623,308
2027	643,164
2028	663,653
Thereafter	<u>791,831</u>
	<u>\$ 3,911,437</u>

The Association is required to meet certain financial covenants as defined in the Loan Agreements. The Association has met all required covenants for the year ended December 31, 2023.

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 10 - Deferred Compensation Plan

The Association has a nonqualified deferred compensation plan covering selected key employees. The Association and the employees made contributions to the plan, which are invested with an insurance company. Contributions were based on a percentage of the employee's wages. The Association has a policy of fully funding the plan. As of December 31, 2023 and 2022 the plan was fully funded. Total plan assets at December 31, 2023 and 2022 were \$250,718 and \$211,677, respectively. Effective July 31, 1997, no further contributions were made into this plan.

Note 11 - Tax Deferred Annuity Plan

The Association has a qualified tax deferred annuity plan covering all eligible employees. The Association and the employees make contributions to the plan. The Association makes annual contributions to the plan in the quarter following year end. The Association's contributions are based on a percentage of the employee's wages. It is the current policy of the Association to deposit employer matching contributions on an annual basis. The expense related to this plan was \$657,830 in 2023 and \$786,507 in 2022. Annuity plans involve the transfer of risk to the third party custodian and therefore are not included in the balance sheet of the Association.

Note 12 - Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Subsidized fees for residents	\$ 772,564	\$ 759,769
Personal and memory care	99,155	83,499
Medical center	318,546	196,377
Dementia training	30,594	33,644
Employee emergency fund	223,832	91,236
Employee appreciation fund	49,177	62,957
Community enhancement	99,873	96,113
Subject to endowment spending policy and appropriation:		
Endowment invested in perpetuity	685,095	398,247
	<u>\$ 2,278,836</u>	<u>\$ 1,721,842</u>

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 13 - Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	<u>2023</u>	<u>2022</u>
Program restrictions accomplished:		
Subsidized fees for residents	\$ 111,029	\$ 103,604
Personal and memory care	5,779	2,600
Medical center	-	165,147
Dementia training	-	6,000
Employee emergency fund	73,940	132,313
Employee appreciation fund	589,260	409,675
Community enhancement	76,821	54,151
	<u>\$ 856,829</u>	<u>\$ 873,490</u>

Note 14 - Endowment

The Association's endowment consists of donor restricted funds which are to be invested in perpetuity with dividend and interest income to be used for various purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Association has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of fair value of the original gift as of the gift date and subsequent net appreciation of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Association classifies as perpetual net assets with donor restrictions (a) the original fair value of the gifts donated (b) the original fair value of subsequent gifts to the permanent endowment (c) net appreciation of the of the underlying assets, and (d) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with SPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Association and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Association
- (7) The investment policies of the Association

MONTECITO RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

Note 14 - Endowment (Continued)

Endowment net asset composition by fund type and changes in endowment net assets for the years ended December 31, 2023 and 2022 were as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, December 31, 2021	\$ 384,638
Contributions	43,574
Investment income (loss)	<u>(29,965)</u>
Endowment net assets, December 31, 2022	398,247
Contributions	264,063
Investment income	<u>22,785</u>
Endowment net assets, December 31, 2023	<u><u>\$ 685,095</u></u>

Return Objectives and Risk Parameters

The Association has adopted investment policies that seek to preserve capital in real, inflation-adjusted terms, and to earn a rate of return on investments which exceeds the return of various custom indexes set by the Board of Directors. Endowment assets are invested and managed pursuant to these investment policies.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association's long term target asset allocation guidelines for the investment portfolio are designed to achieve the long-term investment objective within the established risk parameters.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association has a policy to allow appropriation of interest and dividends on endowment assets, while retaining net appreciation with the corpus of the funds. This is consistent with the Association's preservation of capital and rate of return objectives

Note 15 - Income Tax Matters

The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes, which the Association adopted as of January 1, 2009. The standard addresses determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Management evaluated the Association's tax positions and concluded that the Association had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Association is no longer subject to examinations by the U.S federal tax authorities for years before 2020 and by the State of California tax authorities for years before 2019.

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 16 - Supplemental Disclosure of Cash Flow Information

	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	\$ 5,102,616	\$ (3,001,399)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	6,724,847	6,839,076
Amortization of unearned entrance fees	(10,759,165)	(10,791,891)
Loss on disposal of assets	3,781	-
Deposits recognized as revenue	(160,001)	(146,000)
Proceeds from contributions restricted for:		
Property and equipment purchases	(158,624)	(233,623)
Permanently restricted contributions	(264,063)	(43,574)
Unrealized and realized (gains) losses on investments	(2,688,525)	4,290,501
(Increase) decrease in:		
Accounts receivable	(65,250)	(179,311)
Accrued interest receivable	(1,758)	9,161
Pledges receivable	230,579	364,471
Inventories	25,420	(81,677)
Prepaid expenses	105,174	(110,589)
Increase (decrease) in:		
Accounts payable and accrued expenses	648,762	406,666
Deferred revenue from operations	(117,350)	(58,624)
Net cash used by operating activities	\$ (1,373,557)	\$ (2,736,813)

Note 17 - Contingencies

In July 2011, the Board of Directors approved a 20% discount, a sum not to exceed \$225,000, on the entrance fee for the retiring Executive Director and or his wife for use at any time during their lives or life. The discount does not waive or limit any other requirement for becoming a resident of Casa Dorinda and there shall be no obligation for the Association to provide additional or other compensation if the discount is not or cannot be used for any reason. No accrual has been made in the financial statements for the credit.

Note 18 - Projects in Process

The Association spent \$1,788,129 on general campus improvements and equipment, and \$2,699,253 on resident apartment improvements for the year ended December 31, 2023.

MONTECITO RETIREMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 19 - Subsequent Events

Subsequent events have been evaluated through April 23, 2024, the date that the financial statements were available to be issued.