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MAY 02 2016  
CONTINUING CARE  
CONTRACTS BRANCH

April 29, 2016

California Department of Social Services  
Continuing Care Contracts Branch  
744 P Street, MS 90  
Sacramento, CA 95814

Re: Annual Report Filing

To Whom It May Concern:

The enclosed Annual Report and any amendments thereto are correct to the best of my knowledge.

The continuing care contract form in use for new residents has been approved by the Department of Social Services.

The Heritage on the Marina maintains the required liquid reserve amount to meet operating expenses.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ken D. Donnelly', with a stylized flourish at the end.

Ken D. Donnelly  
Chief Executive Officer

RECEIVED  
MAY 02 2016

CONTINUING CARE  
CONTRACTS BRANCH

San Francisco Ladies' Protection and Relief Society

ANNUAL REPORT

December 31, 2015



# EVIDENCE OF PROPERTY INSURANCE

Date (MM/DD/YYYY)  
2/9/2016

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

Agency Jeffeman Insurance Brokers 80 Howard St., Suite 200 San Francisco, CA 94105 A License # 0564249		Phone (A/C, No, Ext):	COMPANY Zurich American Insurance Company 560 Mission Street # 2300 San Francisco, CA 94105	
AX (A/C, No):	E-MAIL ADDRESS:			
MODE:	SUB CODE:		LOAN NUMBER	POLICY NUMBER
AGENCY CUSTOMER ID#:	License # 0564249			CPP 0137343-01
INSURED San Francisco Ladies' Protection & Relief Society c/o: Heritage on the Marina 100 Laguna Street San Francisco, CA 94123		EFFECTIVE DATE 10/1/2015	EXPIRATION DATE 10/1/2016	CONTINUED UNTIL <input type="checkbox"/> TERMINATED IF CHECKED
THIS REPLACES PRIOR EVIDENCE DATED:				

## PROPERTY INFORMATION

LOCATION/DESCRIPTION

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOT WITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL OF THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

## AVERAGE INFORMATION

COVERAGE / PERILS / FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE
Employee Theft	\$250,000	\$2,500

## MARKS (Including Special Conditions)

Evidence of Insurance

## CANCELLATION

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

## ADDITIONAL INTEREST

NAME AND ADDRESS  Heritage on the Marina 100 Laguna Street San Francisco, CA 94123	MORTGAGEE LOSS PAYEE	ADDITIONAL INSURED
	LOAN #	
AUTHORIZED REPRESENTATIVE 		

The ACORD name and logo are registered marks of ACORD

**FORM 1-1  
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	<u>85</u>
[2]	Number at end of fiscal year	<u>79</u>
[3]	Total Lines 1 and 2	<u>164</u>
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	<u>82</u>
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	<u>108</u>
[7]	Number at end of fiscal year	<u>108</u>
[8]	Total Lines 6 and 7	<u>216</u>
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	<u>108</u>
[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).	<u>0.76</u>

**FORM 1-2  
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses	<u>\$10,971,983</u>
[a]	Depreciation	<u>\$546,989</u>
[b]	Debt Service (Interest Only)	<u>\$0</u>
[2]	Subtotal (add Line 1a and 1b)	<u>\$546,989</u>
[3]	Subtract Line 2 from Line 1 and enter result.	<u>\$10,424,994</u>
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	<u>76%</u>
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	<u>\$7,915,273</u>
[6]	<b>Total Amount Due</b> (multiply Line 5 by .001)	<u>\$7,915</u>

**PROVIDER:** San Francisco Ladies' Protection and Relief Society  
**COMMUNITY:** Heritage on the Marina

San Francisco Ladies' Protection and Relief Society

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT

December 31, 2015 and 2014

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**INDEPENDENT AUDITORS' REPORT****RECEIVED**  
MAY 02 2016CONTINUING CARE  
CONTRACTS BRANCH

Board of Directors  
San Francisco Ladies' Protection  
and Relief Society

We have audited the accompanying financial statements of San Francisco Ladies' Protection and Relief Society (dba The Heritage or Heritage on the Marina) (the "Society"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

INDEPENDENT AUDITORS' REPORT (continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Francisco Ladies' Protection and Relief Society as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Operating Expenses are presented for purposes of additional analysis and are 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

*DZH Phillips LLP*

San Francisco, California  
April 25, 2016

San Francisco Ladies' Protection and Relief Society

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	<b>ASSETS</b>	
	<u>2015</u>	<u>2014</u>
Cash	\$ 106,347	\$ 427,183
Accounts receivable		
Public nutrition program	-	85,261
Residents	37,407	28,723
Medicare - net of contractual allowances of \$11,245	217,500	-
Prepaid expenses	319,703	212,522
Investments	75,126,283	79,535,997
Property and equipment - net	8,695,159	8,791,223
Other assets		
Custodian funds	9,839	3,848
Other	2,524	2,524
Total other assets	<u>12,363</u>	<u>6,372</u>
Total assets	<u>\$ 84,514,762</u>	<u>\$ 89,087,281</u>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 251,369	\$ 332,850
Accrued salaries and other expenses	227,487	490,747
Custodian funds	3,000	1,915
Unamortized entrance fees - refundable	2,873,364	3,687,373
Unamortized entrance fees - non-refundable	1,945,410	1,730,284
Total liabilities	<u>5,300,630</u>	<u>6,243,169</u>
Net assets		
Unrestricted	78,453,369	82,065,238
Temporarily restricted	260,763	278,874
Permanently restricted	500,000	500,000
Total net assets	<u>79,214,132</u>	<u>82,844,112</u>
Total liabilities and net assets	<u>\$ 84,514,762</u>	<u>\$ 89,087,281</u>

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

San Francisco Ladies' Protection and Relief Society

STATEMENTS OF ACTIVITIES

Years ended December 31, 2015 and 2014

	2015	2014
Changes in unrestricted net assets:		
Operating revenue:		
Resident monthly fees	\$ 3,513,277	\$ 3,280,464
Entrance fee amortization	859,883	842,485
Private patient fees	1,613,262	1,540,803
Public nutrition program	543,383	845,257
Medicare program - net of contractual allowances	605,892	-
Guest charges	62,072	53,503
Other income	10,860	27,843
Total operating revenue	<u>7,208,629</u>	<u>6,590,355</u>
Operating expenses:		
Resident services	9,886,786	8,792,681
Public nutrition program	538,118	855,998
Depreciation	546,989	516,940
Total operating expenses	<u>10,971,893</u>	<u>10,165,619</u>
Loss from operations	(3,763,264)	(3,575,264)
Other income (expense) - net:		
Dividends and interest	2,391,564	2,821,891
Net realized and unrealized (loss) gain on investments	(2,099,148)	3,351,439
Investment management fee	(389,667)	(369,399)
Donations and bequests	207,921	33,257
Other (expense) income	(36,105)	68,485
Total other income (expense) - net	<u>74,565</u>	<u>5,905,673</u>
Net assets released from restrictions	<u>76,830</u>	<u>87,811</u>
Change in unrestricted net assets	<u>(3,611,869)</u>	<u>2,418,220</u>
Changes in temporarily restricted net assets:		
Donations and bequests	92,360	97,190
Dividends and interest	20,085	12,139
Net realized and unrealized (loss) gain on investments	(50,454)	30,818
Investment management fee	(3,272)	(2,604)
Net assets released from restrictions	(76,830)	(87,811)
Change in temporarily restricted net assets	<u>(18,111)</u>	<u>49,732</u>
Change in net assets	(3,629,980)	2,467,952
Total net assets - beginning of year	<u>82,844,112</u>	<u>80,376,160</u>
Total net assets - end of year	<u>\$ 79,214,132</u>	<u>\$ 82,844,112</u>

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

San Francisco Ladies' Protection and Relief Society

STATEMENTS OF CASH FLOWS

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows provided by (used in) operating activities:		
Resident fees	\$ 3,892,985	\$ 3,317,437
Proceeds from new entrance fees	261,000	2,784,100
Private patient fees	1,613,262	1,540,803
Public nutrition program - net	90,526	(24,891)
Donations and bequests	300,281	130,447
Interest and dividend income	2,411,648	2,834,029
Other cash receipts	72,932	149,830
Cash paid for salaries and related expense	(6,312,970)	(6,319,080)
Cash paid to suppliers	(4,459,688)	(3,124,230)
Net cash used in operating activities	<u>(2,130,024)</u>	<u>1,288,445</u>
Cash flows provided by (used in) investing activities:		
Purchases of investment securities	(19,907,570)	(19,460,340)
Proceeds from sales of investment securities	22,167,683	18,898,314
Additions to property and equipment	(450,925)	(596,711)
Net cash provided by investing activities	<u>1,809,188</u>	<u>(1,158,737)</u>
Net (decrease) increase in cash	(320,836)	129,708
Cash - beginning of year	<u>427,183</u>	<u>297,475</u>
Cash - end of year	<u>\$ 106,347</u>	<u>\$ 427,183</u>

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

San Francisco Ladies' Protection and Relief Society

STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2015 and 2014

Reconciliation of change in net assets to net cash used in operating activities:

	<u>2015</u>	<u>2014</u>
Cash flows provided by (used in) operating activities:		
Change in net assets	\$ (3,629,980)	\$ 2,467,952
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	546,989	516,940
Entrance fee amortization	(859,883)	(842,485)
Net realized and unrealized net loss (gain) on investments	2,149,602	(3,382,257)
Changes in operating assets and liabilities:		
Accounts receivable	(140,923)	22,823
Prepaid expenses	(107,181)	(29,028)
Accounts payable and accrued expenses	(349,648)	(249,600)
Proceeds from new entrance fees	<u>261,000</u>	<u>2,784,100</u>
Net cash used in operating activities	<u>\$ (2,130,024)</u>	<u>\$ 1,288,445</u>

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

San Francisco Ladies' Protection and Relief Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Francisco Ladies' Protection and Relief Society (dba The Heritage or Heritage on the Marina) (the "Society"), which was formed in 1853, is a nonprofit California corporation. The Society owns and operates The Heritage on the Marina in San Francisco, California, a continuing care retirement community.

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of accounting

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of presentation

Net assets and changes therein are classified as follows:

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations and unappropriated earnings from permanently restricted net assets of the Society, with restrictions that will be met by actions of the Society and/or the passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that are to be maintained in perpetuity by the Society. The Society's endowment fund is a permanently restricted net asset.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Out and About Endowment Fund

The Society has a \$500,000 endowment fund for the Out and About program for the residents. This fund's corpus is classified as permanently restricted. Earnings from the fund are used for the program costs.

San Francisco Ladies' Protection and Relief Society

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2015 and 2014

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

Out and About Endowment Fund (continued)

The Society is subject to the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) governing endowments. The Society has interpreted this law as requiring the preservation of the fair value of the original gift as of the date of the gift. Accordingly, the Society classified the original value of the gift as permanently restricted.

Earnings from the donor restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed under the law.

In accordance with UPMIFA, the Society has adopted investment and spending policies for the endowment assets in order to preserve and enhance the value of the corpus in perpetuity, provide a relatively steady stream of earnings, and to balance the current and future funding needs of the Out and About Program.

The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments and fixed income mutual funds to achieve its long-term return objectives, with prudent risk constraints. To satisfy its long-term rate of return objective, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield (interest and dividends). The endowment assets are co-mingled with other marketable investment securities of the Society and are invested in a manner that is intended to earn an average annual real rate of return (after inflation and program spending) of 3% per year.

Annual spending is at the discretion of management with the goal of maintaining the program, while preserving the corpus of the endowment.

Investments

Investments in equity securities and fixed income mutual funds with readily determinable fair values are carried at fair value based on quoted prices in active markets. Other investments, consisting of international business trusts, which invest primarily in publicly traded equity securities, are valued at fair value using the Net Asset Value per Share (NAVS).

Realized and unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities as a gain or loss on investments. Realized gains and losses are computed using the first-in, first-out method.

San Francisco Ladies' Protection and Relief Society

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2015 and 2014

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

Fair value measurements

The Society considers the use of market-based information over entity specific information in valuing its marketable investment securities, using a three-level hierarchy for fair value measurements, based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- *Level 1* inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2* inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.
- *Level 3* inputs to the valuation methodology are unobservable and require significant judgment in determining fair value.

An investment's categorization within the valuation hierarchy is based upon the highest and best use of the investment.

All of the Society's investments are classified as Level 1 except for its international business trusts which are classified as Level 2 at December 31, 2015 and 2014.

There are no unfunded commitments on Level 2 international business trusts held at NAVS. Shares are redeemable within four days notice.

There have been no changes in valuation techniques during the years ended December 31, 2015 and 2014.

Fair value of financial instruments

The carrying values of accounts receivable, prepaid expenses, and accounts payable approximate fair values based on the short-term maturities of these financial instruments.

San Francisco Ladies' Protection and Relief Society  
NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2015 and 2014

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

Concentrations of credit risk

The Society maintains its cash balances at financial institutions located in San Francisco, California. At various times, the Society has maintained cash balances in excess of insured amounts (currently \$250,000 per depositor). Management believes it is not exposed to any significant risk on its cash accounts.

Accounts receivable

Accounts receivable consist of balances due from residents and reimbursements due from Medicare and are stated at net realizable amounts. In the opinion of management, substantially all resident accounts receivable are collectible in full; therefore, no allowance for doubtful accounts is provided. Management's determination of the allowance for doubtful accounts is based on an evaluation of the accounts receivable, past experience and contractual terms.

The contractual allowance represents differences between charges billed to residents, which are computed using established rates, and amounts to be reimbursed from third party payors. The difference is between full charges for services provided and the allowable and reimbursable cost of the services provided. Contractual adjustments arising from various reimbursement arrangements with third-party payors are estimated in the period in which the services are rendered and adjusted when the reimbursement amounts are known.

Property and equipment

The Society's policy is to capitalize all expenditures in excess of \$5,000, with a useful life of one year or longer, at cost or fair value at the date of donation, if property is contributed. Depreciation on these assets is taken on the straight-line method of accounting over the estimated useful lives as follows:

	<u>Years</u>
Buildings and improvements	10-40
Furniture, equipment and fixtures	3-20

Gains or losses on dispositions of property and equipment are included in other income (expense).

San Francisco Ladies' Protection and Relief Society

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2015 and 2014

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

Public Nutrition Program

The Society operated a kitchen and provided prepared meals in connection with a meal delivery program for senior citizens under the direction of an independent nonprofit organization, Self Help for the Elderly, San Francisco, California. The Society was reimbursed by Self Help for the Elderly on the basis of meals provided. Effective July 2015, the contract with Self Help for the Elderly ended and the program was terminated.

Entrance fees

The Society has agreements with a majority of the residents whereby the Society provides lifetime care and lodging for the residents in exchange for a one-time fee paid upon entrance plus adjustable monthly care fees thereafter.

Entrance fees are recognized as revenue on a straight-line basis over the expected remaining life of the residents as recomputed actuarially at the end of each year. Any unamortized entrance fees at the time of a residents' death are immediately recognized as revenue. For the years ended December 31, 2015 and 2014, amounts recognized as revenue amounted to \$87,507 and \$183,235, respectively.

The resident agreement provides for the right to a full refund upon termination for up to 90 days from the date of the agreement. Thereafter, a proportionate refund is provided to the resident upon termination for a period of approximately 67 months from the date of the agreement. The maximum amount of potential refund obligations under existing agreements at December 31, 2015 and 2014 amounted to \$2,873,364 and \$3,687,373, respectively.

Statutory reserve requirements and obligation to provide future services

The Society is required to meet certain annual reserve requirements required by the California Department of Social Services to help assure adequate resources are available to provide for the lifetime welfare of the residents. At December 31, 2015 and 2014, the Society was in compliance with such requirements.

The Society is also required to record a liability recognizing an obligation to provide future services and the use of facilities to all current residents if the Society is not in actuarial balance. Actuarial balance occurs when the present value of future net cash out-flows, adjusted for certain non-cash items, is less than or equal to the present value of future net cash in-flows. The Society makes this calculation on an annual basis and was in actuarial balance for the years ended December 31, 2015 and 2014. The discount rate used in the calculations for the years ended December 31, 2015 and 2014 was 4%.

San Francisco Ladies' Protection and Relief Society

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2015 and 2014

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

Statutory reserve requirements and obligation to provide future services (continued)

The Society is required to have an actuarial study done every five years. The latest study, dated December 31, 2014, indicated that the Society was in actuarial balance, assuming that future investment returns are sufficient to fund operating deficits.

Income taxes

The Society is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d (or other states and code sections, as relevant). Accordingly, it has not provided for income taxes in these financial statements. Effective February 2004, the Society became an exempt private operating foundation as defined in Section 4940(d)(2) of the Internal Revenue Code. Accordingly, the Society is exempt from the 2% excise tax imposed on the net investment income of exempt private foundations. Certain other income and support tests must be met each year in order to remain exempt and management believes the Society continues to meet these tests as of December 31, 2015 and 2014.

Each year, management considers whether the Society has engaged in any activities that could affect the Society's income tax status or result in taxable income. Management believes that any positions the Society has taken are supported by substantial authority and would more likely than not be sustained upon examination by the applicable taxing authority. Accordingly there are no potential tax liabilities to be recorded or disclosed in the financial statements.

Use of estimates

Management of the Society has made estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and the reporting of revenue and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

The Society amortizes entrance fees over the estimated remaining lives of the residents using actuarial tables based on current age and gender. The actual remaining lives will likely differ from the actuarial tables and the difference may be significant.

Reclassifications

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

San Francisco Ladies' Protection and Relief Society  
 NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2015 and 2014

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
 (continued)

Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through April 25, 2016, which represents the date the financial statements were available to be issued.

NOTE B - UNAMORTIZED ENTRANCE FEES

For the years ended December 31, 2015 and 2014, unamortized entrance fees had the following activity:

	<u>2015</u>	<u>2014</u>
Balance - beginning of year	\$ 5,417,657	\$ 3,476,042
New entrance fees	261,000	2,784,100
	<u>5,678,657</u>	<u>6,260,142</u>
Less: amortization included in operating revenue	<u>859,883</u>	<u>842,485</u>
Balance - end of year	<u>\$ 4,818,774</u>	<u>\$ 5,417,657</u>

NOTE C - PROPERTY AND EQUIPMENT

At December 31, 2015 and 2014, property and equipment consists of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 741,689	\$ 741,689
Land improvements	289,592	197,477
Building and improvements	13,076,614	12,717,554
Equipment and furnishings	<u>3,723,454</u>	<u>3,623,704</u>
	17,831,349	17,280,424
Less: accumulated depreciation	<u>(9,136,190)</u>	<u>(8,589,201)</u>
	8,695,159	8,691,223
Projects in progress	<u>-</u>	<u>100,000</u>
	<u>\$ 8,695,159</u>	<u>\$ 8,791,223</u>

San Francisco Ladies' Protection and Relief Society

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2015 and 2014

NOTE D - INVESTMENTS

As of December 31, 2015 and 2014, cost and market values of investments are as follows:

	Cost	Market value	Unrealized gain (loss)
<u>December 31, 2015</u>			
Equity securities:			
Financial	\$ 5,990,838	\$ 6,684,032	\$ 693,194
Consumer growth	4,043,537	4,902,341	858,804
Consumer cyclicals	3,308,488	3,840,786	532,298
Technology	3,477,220	4,493,266	1,016,046
Energy	1,777,241	1,467,761	(309,480)
Other	7,506,996	8,217,964	710,968
Total equity securities	<u>26,104,320</u>	<u>29,606,150</u>	<u>3,501,830</u>
Fixed income mutual fund:			
Bernstein international duration institutional portfolio	22,635,246	21,802,915	(832,331)
International business trusts:			
Bernstein global style blend series	24,194,892	15,367,264	(8,827,628)
International value	7,899,188	7,482,024	(417,164)
Total international business trusts	<u>32,094,080</u>	<u>22,849,288</u>	<u>(9,244,792)</u>
Cash held for investment	<u>867,930</u>	<u>867,930</u>	<u>-</u>
	<u>\$ 81,701,576</u>	<u>\$ 75,126,283</u>	<u>\$ (6,575,293)</u>
<u>December 31, 2014</u>			
Equity securities:			
Financial	\$ 5,375,570	\$ 6,887,660	\$ 1,512,090
Consumer growth	3,546,991	4,620,224	1,073,233
Consumer cyclicals	2,661,957	3,970,101	1,308,144
Technology	3,722,004	5,917,254	2,195,250
Energy	2,969,007	2,903,867	(65,140)
Other	6,407,595	7,614,798	1,207,203
Total equity securities	<u>24,683,124</u>	<u>31,913,904</u>	<u>7,230,780</u>
Fixed income mutual fund:			
Bernstein international duration institutional portfolio	22,294,059	22,232,566	(61,493)
International business trusts:			
Bernstein global style blend series	22,018,575	16,629,815	(5,388,760)
International value	7,707,094	7,410,176	(296,918)
Total international business trusts	<u>29,725,669</u>	<u>24,039,991</u>	<u>(5,685,678)</u>
Cash held for investment	<u>1,349,536</u>	<u>1,349,536</u>	<u>-</u>
	<u>\$ 78,052,388</u>	<u>\$ 79,535,997</u>	<u>\$ 1,483,609</u>

San Francisco Ladies' Protection and Relief Society

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2015 and 2014

NOTE D - INVESTMENTS (continued)

For the years ended December 31, 2015 and 2014, net realized and unrealized (losses) gains on investments consisted of the following:

	<u>2015</u>	<u>2014</u>
Net realized and unrealized (loss) gain on investments	\$ (2,149,602)	\$ 3,382,257
Classified in the statement of activities according to the following net asset classifications:		
Unrestricted net assets	\$ (2,099,148)	\$ 3,351,439
Temporarily restricted net assets	<u>(50,454)</u>	<u>30,818</u>
	<u>\$ (2,149,602)</u>	<u>\$ 3,382,257</u>

Cash withdrawn from marketable investment securities to fund current operations and capital projects totaled \$4,225,000 and \$1,900,000 in 2015 and 2014, respectively.

NOTE E - RESTRICTED NET ASSETS

Temporarily restricted net assets

At December 31, 2015 and 2014, temporarily restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
The Arts Fund	\$ 3,725	\$ 5,035
Grace and Favor program	87,862	79,897
Employee Appreciation Fund	11,606	1,600
Out and About program	110,509	154,718
Gorman Fund	30,460	26,106
Technology Fund	13,671	10,578
Other	<u>2,930</u>	<u>940</u>
	<u>\$ 260,763</u>	<u>\$ 278,874</u>

San Francisco Ladies' Protection and Relief Society

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2015 and 2014

NOTE E - RESTRICTED NET ASSETS (continued)

Out and About Endowment Fund

For the years ended December 31, 2015 and 2014, changes in endowment net assets are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - December 31, 2013	\$ 124,453	\$ 500,000	\$ 624,453
Contributions	5,100	-	5,100
Investment return:			
Interest & dividends	12,139	-	12,139
Net gain on investment - net of investment management fees	<u>28,214</u>	<u>-</u>	<u>28,214</u>
Total investment return	<u>40,353</u>	<u>-</u>	<u>40,353</u>
Appropriated for expenditure	<u>(15,188)</u>	<u>-</u>	<u>(15,188)</u>
Endowment net assets - December 31, 2014	154,718	500,000	654,718
Contributions	5,150	-	5,150
Investment return:			
Interest & dividends	20,085	-	20,085
Net loss on investments - net of investment management fees	<u>(53,726)</u>	<u>-</u>	<u>(53,726)</u>
Total investment loss	<u>(33,641)</u>	<u>-</u>	<u>(33,641)</u>
Appropriated for expenditure	<u>(15,718)</u>	<u>-</u>	<u>(15,718)</u>
Endowment net assets - December 31, 2015	<u>\$ 110,509</u>	<u>\$ 500,000</u>	<u>\$ 610,509</u>

San Francisco Ladies' Protection and Relief Society  
NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2015 and 2014

NOTE F - RETIREMENT PLAN

The Society has a 401(k) plan which is available to eligible employees, twenty-one years and older, generally after 90 days of employment. The Society makes non-elective Safe Harbor contributions to the Plan of 4% of eligible compensation after one year of service.

The Society's contributions to the 401(k) Plan for the years ended December 31, 2015 and 2014 amounted to \$145,261 and \$188,147, respectively.

NOTE G - OTHER DISCLOSURES

In accordance with the requirements of the California Department of Social Services, the Society is required to disclose all amounts accumulated for contingencies or accumulated or expended for identified projects or purposes. At December 31, 2015, the Society has not accumulated any funds for contingencies.

**SUPPLEMENTAL INFORMATION**

San Francisco Ladies' Protection and Relief Society

SCHEDULES OF OPERATING EXPENSES

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Food Service:		
Salaries and wages	\$ 542,693	\$ 705,749
Employee benefits	208,558	239,534
House supplies	58,841	34,199
Repairs and maintenance	73,979	66,381
Food purchases	463,377	475,160
Outside services	633,105	225,328
Contract maintenance	8,467	17,188
Management fees	50,668	46,422
Miscellaneous	27,792	20,789
Allocation of expenses to Health Center and Medicare	<u>(516,870)</u>	<u>(401,356)</u>
	<u>1,550,610</u>	<u>1,429,394</u>
Housekeeping and Maintenance of Building and Grounds:		
Salaries and wages	520,382	475,010
Employee benefits	180,825	169,200
Household supplies	80,885	39,489
Repairs and maintenance of furnishings	34,068	42,179
Buildings and equipment repairs and maintenance	110,577	98,656
Contract maintenance	101,666	73,768
Security	134,757	113,057
Miscellaneous	<u>8,295</u>	<u>11,126</u>
	<u>1,171,455</u>	<u>1,022,485</u>
Health Center:		
Salaries and wages	2,621,365	2,416,953
Employee benefits	714,302	665,400
General supplies	39,111	45,110
Drugs and medical supplies	68,139	36,107
Repairs and maintenance	42,147	55,626
Medical services	39,909	35,642
Miscellaneous services and licenses	67,123	42,547
Telephone	7,865	4,082
Expenses allocated from other departments:		
Food Service	476,905	401,356
General and Administrative	<u>550,283</u>	<u>635,612</u>
	<u>4,627,149</u>	<u>4,338,435</u>

San Francisco Ladies' Protection and Relief Society

SCHEDULES OF OPERATING EXPENSES (continued)

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Medicare:		
Drugs and medical supplies	44,796	-
Professional fees	9,975	-
Outside services	234,846	-
Miscellaneous	12,065	-
Expenses allocated from other departments:		
Food Service	39,965	
General and Administrative	46,115	
	<u>387,762</u>	<u>-</u>
Residents' Outside Medical Fees	<u>69,829</u>	<u>21,888</u>
Activities:		
Salaries and wages	199,315	203,980
Employee benefits	68,505	68,081
Program activities	114,722	124,697
	<u>382,542</u>	<u>396,758</u>
General and Administrative:		
Salaries and wages	945,088	884,889
Employee benefits	198,394	199,344
Office supplies	20,820	34,052
Contract maintenance	4,535	5,714
Accounting fees	55,075	47,600
Legal fees	38,850	62,681
Consulting fees	57,915	44,666
Telephone	22,209	25,277
Travel and conferences	45,166	31,777
Dues and other professional fees	84,221	94,843
Utilities	400,495	388,267
Insurance	109,438	141,414
Transportation	44,216	39,223
Planning and development	117,906	62,730
Miscellaneous	149,509	156,856
Allocation of expenses to Health Center and Medicare	(596,398)	(635,612)
	<u>1,697,439</u>	<u>1,583,721</u>
Total operating expenses - Resident Services	<u>\$ 9,886,786</u>	<u>\$ 8,792,681</u>

San Francisco Ladies' Protection and Relief Society

SCHEDULES OF OPERATING EXPENSES (continued)

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Public Nutrition Program:</b>		
Salaries and wages	\$ 118,098	\$ 237,882
Employee benefits	56,186	86,561
Termination costs	86,568	-
Telephone	731	1,653
Food purchases	233,765	441,813
Miscellaneous	<u>42,770</u>	<u>88,089</u>
Total operating expenses - Public Nutrition Program	<u>\$ 538,118</u>	<u>\$ 855,998</u>

U U MAY 02 2016 U

CONTINUING CARE  
CONTRACTS BRANCH

San Francisco Ladies' Protection and Relief Society

CONTINUING CARE RESERVE REPORT AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2015

**INDEPENDENT AUDITORS' REPORT****RECEIVED**  
MAY 02 2016**CONTINUING CARE  
CONTRACTS BRANCH**

Board of Directors  
San Francisco Ladies' Protection and Relief Society

**Report on the Continuing Care Reserve Report**

We have audited the accompanying continuing care reserve report (the "Report") of San Francisco Ladies' Protection and Relief Society (dba The Heritage or Heritage on the Marina) (the "Society"), as of December 31, 2015. The accompanying Report was prepared for the purpose of complying with California Health and Safety Code Section 1792 and is not intended to be a complete presentation of the Society's financial statements.

**Management's Responsibility for the Report**

Management is responsible for the preparation and fair presentation of the Report in accordance with the report preparation provisions of California Health and Safety Code Section 1792; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Report that is free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

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

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

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

INDEPENDENT AUDITORS' REPORT (continued)

**Opinion**

In our opinion, the Report presents fairly, in all material respects, the liquid reserve requirements of the Society as of December 31, 2015 in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

This report is intended solely for the information and use of the board of directors and management of the Society and for filing with the California Department of Social Services and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*DZH Phillips LLP*

San Francisco, California  
April 29, 2016

**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					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>					\$0

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

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

**PROVIDER:** San Francisco Ladies' Protection and Relief Society

**FORM 5-2  
LONG-TERM DEBT INCURRED  
DURING FISCAL YEAR  
(Including Balloon Debt)**

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<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:** San Francisco Ladies' Protection and Relief Society

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

<b>Line</b>		<b>TOTAL</b>
1	Total from Form 5-1 bottom of Column (e)	\$0
2	Total from Form 5-2 bottom of Column (e)	\$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	NONE
4	<b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<b>\$0</b>

**PROVIDER:** San Francisco Ladies' Protection and Relief Society

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

<b>Line</b>	<b>Amounts</b>	<b>TOTAL</b>
1	Total operating expenses from financial statements	<u>\$10,971,983</u>
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	<u>\$0</u>
b.	Credit enhancement premiums paid for long-term debt (see instructions)	<u>NONE</u>
c.	Depreciation	<u>\$546,989</u>
d.	Amortization	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$2,288,354</u>
f.	Extraordinary expenses approved by the Department	<u>NONE</u>
3	Total Deductions	<u>\$2,835,343</u>
4	Net Operating Expenses	<u>\$8,136,640</u>
5	Divide Line 4 by 365 and enter the result.	<u>\$22,292</u>
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.	<u><u>\$1,671,912</u></u>

**PROVIDER:** San Francisco Ladies' Protection and Relief Society

**COMMUNITY:** Heritage on the Marina

San Francisco Ladies' Protection and Relief Society

CONTINUING CARE RESERVE REPORT

Year ended December 31, 2015

FORM 5-4 CALCULATION OF NET OPERATING EXPENSES - LINE 2e

Revenue received during the fiscal year for services to residents who did not have a continuing care contract:

Processing fees	\$	9,500
Revenue from private health care center patients		1,613,262
Medicare		519,394
Community services		90,526
Guest charges (meals, room and parking)		<u>55,672</u>
	\$	<u><u>2,288,354</u></u>

SCHEDULE I

San Francisco Ladies' Protection and Relief Society  
CONTINUING CARE RESERVE REPORT (continued)

Year ended December 31, 2015

Reconciliation of Statement of cash flows to form 5-4 line 2-e

	Per statement of cash flows	Amount included in Line 2e
Medicare for residents without a contract	\$ 519,394	\$ 519,394
Resident fees (including Medicare) for those with a contract	3,373,591	-
	\$ 3,892,985	\$ 519,394
Private health center patient fees	\$ 1,613,262	\$ 1,613,262
Community services (Public Nutrition Program)		
Public nutrition program revenue	\$ 543,383	\$ 543,383
Public nutrition program costs	(538,118)	(538,118)
Change in accounts receivable - public nutrition program	85,261	85,261
	\$ 90,526	\$ 90,526
Other cash receipts		
Processing fees	\$ 9,500	\$ 9,500
Guest charges (meals, room and parking)	55,672	55,672
Other receipts	7,760	-
	\$ 72,932	\$ 65,172
Total - Line 2e		\$ 2,288,354



San Francisco Ladies' Protection and Relief Society  
CONTINUING CARE RESERVE REPORT (continued)

Year ended December 31, 2015

FORM 5-5: ANNUAL RESERVE CERTIFICATION

The Society maintains the following reserves as of December 31, 2015:

Operating reserves	\$ 1,671,912
Funds restricted by donors	<u>760,763</u>
	<u>\$ 2,432,675</u>

PER CAPITA COST OF OPERATIONS

During December 31, 2015, the per capita cost of operations is as follows:

Operating expenses	\$ 10,971,983
Mean number of CCRC residents	<u>82</u>
Per capita cost of operations	<u>\$ 133,805</u>

San Francisco Ladies' Protection and Relief Society

FORM 5-5 DESCRIPTION OF RESERVES UNDER SB 1212

Year ended December 31, 2015

FORM 5-5 Description of reserves under SB 1212

Total qualifying assets as filed:	
Cash and cash equivalents	\$ 974,277
Equity securities *	<u>74,258,353</u>
Total qualifying assets as filed	<u>75,232,630</u>
Reservations and designations:	
Reserve obligation amount	1,671,912
Temporarily and permanently restricted	<u>760,763</u>
	<u>2,432,675</u>
Remaining liquid reserves	<u>\$ 72,799,955</u>
* Equity securities include:	
Equity securities	\$ 29,606,150
Fixed income mutual funds	21,802,915
International business trusts	<u>22,849,288</u>
	<u>\$ 74,258,353</u>

San Francisco Ladies' Protection and Relief Society

FORM 5-5 FUNDS EXPENDED FOR PROJECTS UNDER AB 1169

Year ended December 31, 2015

During the year ended December 31, 2015, the Society expended \$450,925 for capital projects as follows:

Furniture and fixtures	\$	99,750
Building improvements		127,352
Projects in progress		<u>223,823</u>
	\$	<u><u>450,925</u></u>

SCHEDULE V

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

Date Prepared: 4/12/16

FACILITY NAME: The Heritage or Heritage on the Marina  
 ADDRESS: 3400 Laguna Street, San Francisco, CA ZIP CODE: 94123 PHONE: (415) 202-0300  
 PROVIDER NAME: San Francisco Ladies' Protection & Relief Society FACILITY OPERATOR: San Francisco Ladies' Protection & Relief Society  
 RELATED FACILITIES: None RELIGIOUS AFFILIATION: None  
 YEAR OPENED: 1853 NO. OF ACRES: 3+ MULTI-STORY:     SINGLE STORY:     BOTH: X  
 MILES TO SHOPPING CTR: 0.2 miles MILES TO HOSPITAL: 2 miles

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>44</u>	ASSISTED LIVING <u>20</u>
APARTMENTS - 1 BDRM	<u>21</u>	SKILLED NURSING <u>32</u>
APARTMENTS - 2 BDRM	<u>2</u>	SPECIAL CARE <u>          </u>
COTTAGES/HOUSES	<u>1</u>	DESCRIBE SPECIAL CARE: <u>          </u>
% OCCUPANCY AT YEAR END	<u>85.1%</u>	

TYPE OF OWNERSHIP:  NOT FOR PROFIT     FOR PROFIT    ACCREDITED:  Y  N BY:           

FORM OF CONTRACT:  LIFE CARE     CONTINUING CARE     FEE FOR SERVICE  
 ASSIGN ASSETS     EQUITY     ENTRY FEE     RENTAL

REFUND PROVISIONS (Check all that apply):  90%     75%     50%     PRORATED TO 0%     OTHER:

RANGE OF ENTRANCE FEES: \$0 TO \$250,000    LONG-TERM CARE INSURANCE REQUIRED?  Y  N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Yes

ENTRY REQUIREMENTS: MIN. AGE: 65    PRIOR PROFESSION: N/A    OTHER: No Max. Age

**FACILITY SERVICES AND AMENITIES**

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED	FOR EXTRA
				IN FEE	CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING TIMES/MONTH	<u>4x</u>	
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>3x</u>	
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>Yes</u>	
CARD ROOMS	<input type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input type="checkbox"/>	<input type="checkbox"/>	OTHER <u>          </u>	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>          </u>	<input type="checkbox"/>	<input type="checkbox"/>			

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

PROVIDER NAME: San Francisco Ladies' Protection & Relief Society

CCRCs	LOCATION (City, State)	PHONE (with area code)
The Heritage or Heritage on the Marina	San Francisco, CA	(415) 202-0300

**MULTI-LEVEL RETIREMENT COMMUNITIES**

**FREE-STANDING SKILLED NURSING**

**SUBSIDIZED SENIOR HOUSING**

\* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

**PROVIDER NAME: San Francisco Ladies' Protection & Relief Society**

	2012	2013	2014	2015
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	5,001,300	4,818,055	5,747,870	5,595,367
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, & interest)	8,752,977	9,388,677	9,648,679	10,424,904
<b>NET INCOME FROM OPERATIONS</b>	(3,751,677)	(4,570,622)	(3,900,809)	(4,829,537)
<b>LESS INTEREST EXPENSE</b>				
<b>PLUS CONTRIBUTIONS</b>	61,990	49,149	33,257	207,921
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	7,303,467	14,073,703	6,009,959	(133,356)
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	3,613,780	9,552,230	2,142,407	(4,754,972)
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	719,762	375,000	2,784,100	261,000

**DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END**

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD

**FINANCIAL RATIOS (see next page for ratio formulas)**

	2013 CCAC Medians 50 <sup>th</sup> Percentile (optional)	2013	2014	2015
<b>DEBT TO ASSET RATIO</b>		N/A	N/A	N/A
<b>OPERATING RATIO</b>		1.95	1.91	1.86
<b>DEBT SERVICE COVERAGE RATIO</b>		N/A	N/A	N/A
<b>DAYS CASH-ON-HAND RATIO</b>		2,923	3,025	2,634

**HISTORICAL MONTHLY SERVICE FEES  
AVERAGE FEE AND PERCENT CHANGE**

	2012	%	2013	%	2014	%	2015
STUDIO	2,744	4.0	2,911	6.0	2,798	4.0	3,008
ONE BEDROOM	4,634	2-4.0	4,755	2.6	5,088	4.0	4,586
TWO BEDROOM	N/A		N/A		3,850	100.0	4,089
COTTAGE/HOUSE	5,850	4.0	6,083	4.0	6,302	4.0	6,579
ASSISTED LIVING	2,744	4.0	2,911	6.0	2,843	4.0	4,209
SKILLED NURSING	2,744	4.0	2,911	6.0	2,164	4.0	6,562
SPECIAL CARE	N/A		N/A		N/A		N/A

**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

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

#### DEBT SERVICE COVERAGE RATIO

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

#### DAYS CASH ON HAND RATIO

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

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

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

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
<b>[1]</b> Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$754 - \$6,451 Per resident</u>	<u>\$503-\$3,109 Per Resident</u>	<u>\$754 - \$4,581 Per Resident</u>
<b>[2]</b> Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4.0%</u>	<u>4.0%</u>	<u>4.0%</u>

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

**[3]** Indicate the date the fee increase was implemented: July 1, 2015  
(If more than 1 increase was implemented, indicate the dates for each increase.)

**[4]** Check each of the appropriate boxes:

- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

**[5]** On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

**PROVIDER:** San Francisco Ladies' Protection and Relief Society  
**COMMUNITY:** The Heritage or Heritage on the Marina

San Francisco Ladies' Protection and Relief Society

FORM 7-1 ADJUSTMENTS IN MONTHLY CARE FEES

Year ended December 31, 2015

Adjustments to monthly fees

The Society life care contracts do not specify a rate or dollar amount that monthly fees may be raised on an annual basis. The contracts allow for adjustments periodically as deemed necessary based on financial indicators. The Board of Directors is responsible for reviewing financial indicators and recommending increases. Increases are determined on a case by case basis within the parameters set by the Board based on individual resident's factors. In some past years, there was no increase in fees. The average increase in the current year was approximately 4.0%.

The monthly care revenues are from health center monthly fees and regular resident monthly fees. The total for the year ended December 31, 2015 was \$3,513,277.

Residents move between independent living, assisted living, and skilled nursing. The Society does not track fees by location, but rather in the aggregate.