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CONTINUING CARE
CONTRACTS BRANCH

NORTHERN CALIFORNIA
CONGREGATIONAL
RETIREMENT HOMES, INC.

CONTINUING CARE CONTRACT
PROGRAM ANNUAL REPORT
DECEMBER 31, 2012

PKF

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

December 31, 2012

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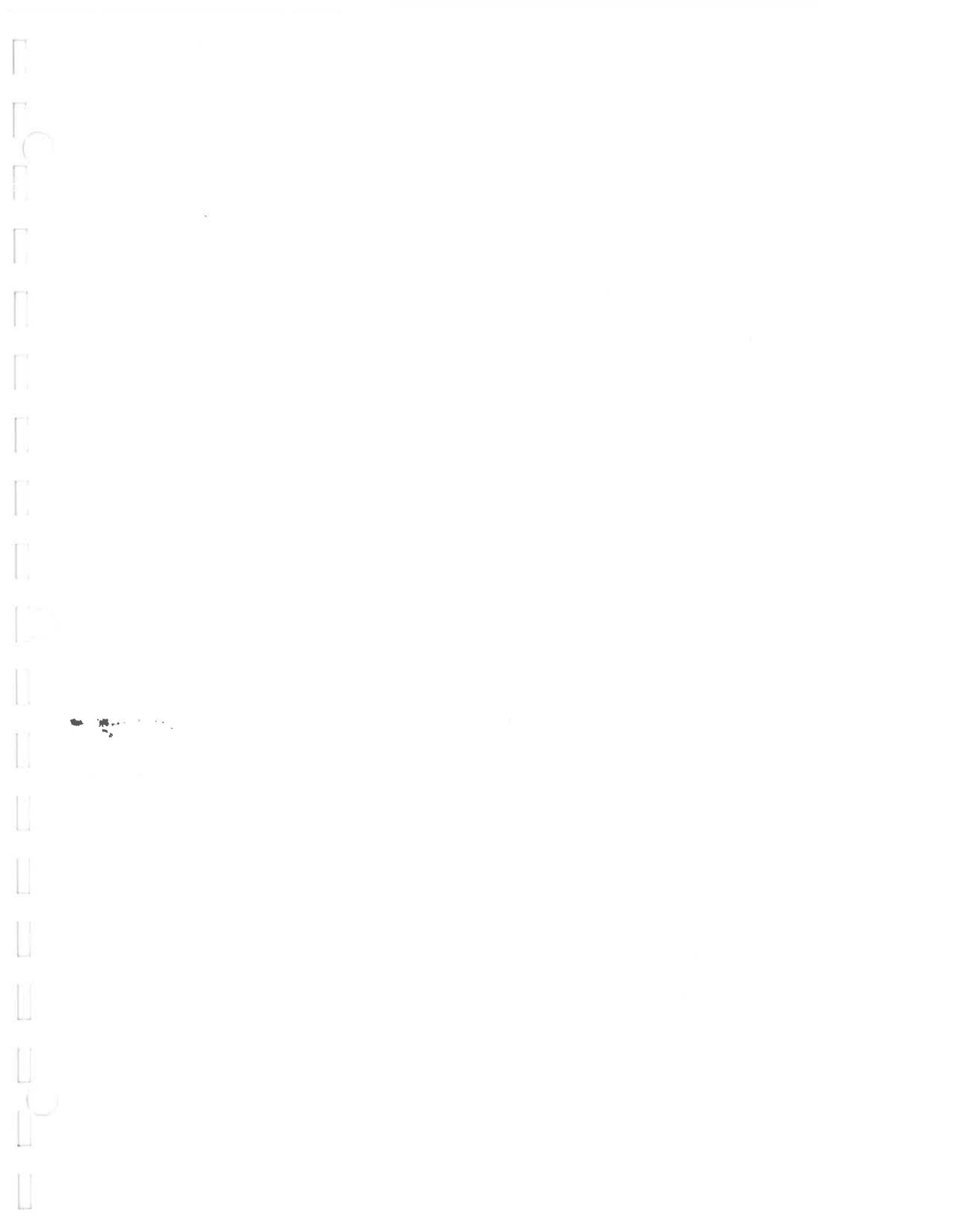
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**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	249
[2]	Number at end of fiscal year	247
[3]	Total Lines 1 and 2	496
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	248
All Residents		
[6]	Number at beginning of fiscal year	249
[7]	Number at end of fiscal year	247
[8]	Total Lines 6 and 7	496
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	248
[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).	1.00

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1] Total Operating Expenses (including depreciation and debt service - interest only)	\$13,926,325
[a] Depreciation	\$1,873,288
[b] Debt Service (Interest Only)	\$284,270
[2] Subtotal (add Line 1a and 1b)	\$2,157,558
[3] Subtract Line 2 from Line 1 and enter result.	\$11,768,767
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	100%
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$11,768,767 x .001
[6] Total Amount Due (multiply Line 5 by .001)	\$11,769



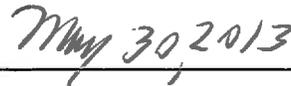
NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Certification by Chief Executive Officer

To the best of my knowledge, the accompanying Report on Examination of Continuing Care Reserve Report as of December 31, 2012 and Report on Audit of the Financial Statements and Supplementary Information for the year ended December 31, 2012 are correct. The life care contract form in use for new residents has been approved by the Department of Social Services. The required liquid reserve is properly maintained as of December 31, 2012. A refund reserve is not required.



Mr. Roger Bolgard
Chairman



Date

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CONTINUING CARE
CONTRACTS BRANCH

NORTHERN CALIFORNIA
CONGREGATIONAL
RETIREMENT HOMES, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2012

PKF

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC

December 31, 2012

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Accountants and
business advisers

Independent Auditor's Report

Board of Directors
Northern California Congregational
Retirement Homes, Inc.
Carmel, California

We have audited the accompanying financial statements of Northern California Congregational Retirement Homes, Inc. which comprise the statements of financial position as of December 31, 2012 and 2011 and the related statements of activities and changes in net assets, 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 misstatements, whether due to fraud or error.

Auditor's 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 auditor's 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 Corporation'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 Corporation'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern California Congregational Retirement Homes, Inc. as of December 31, 2012 and 2011, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Certified Public Accountants
A Professional Corporation

May 28, 2013

PKF, Certified Public Accountants, A Professional Corporation.
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The PKF International Limited is a network of legally independent firms.

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Statements of Financial Position

	December 31, 2017				December 31, 2011				
	Unrestricted	Designated	Total	Temporarily Restricted	Unrestricted	Designated	Total	Temporarily Restricted	Total
Assets									
Accounts payable	\$ 482,204	\$ -	\$ 482,204	\$ -	\$ 131,056	\$ 131,056	\$ -	\$ 131,056	
Accrued liabilities	673,600	-	673,600	-	628,800	628,800	-	628,800	
Current portion of long-term debt	593,913	-	593,913	-	104,317	104,317	-	104,317	
Total current liabilities	1,749,717	-	1,749,717	-	864,173	864,173	-	864,173	
Advances from applicants	812,506	-	812,506	-	362,570	362,570	-	362,570	
Long-term debt - net of current portion	4,173,633	-	4,173,633	-	4,767,545	4,767,545	-	4,767,545	
Deferred income from entrance fees	27,156,459	-	27,156,459	-	27,051,704	27,051,704	-	27,051,704	
Mutual obligations	-	-	-	1,398,789	-	-	1,656,436	-	
Post-retirement obligation	184,002	-	184,002	-	184,002	184,002	-	184,002	
Total liabilities	34,076,317	-	34,076,317	1,398,789	33,229,994	33,229,994	1,656,436	34,786,430	
Net assets									
Unrestricted	11,457,971	-	11,457,971	-	10,011,839	10,011,839	-	10,011,839	
Designated	-	7,916,317	7,916,317	-	-	7,166,785	-	7,166,785	
Temporarily restricted	-	-	-	3,291,271	-	-	3,039,409	-	
Permanently restricted	-	-	-	-	-	-	-	3,939,796	
Total net assets	11,457,971	7,916,317	19,374,288	3,291,271	10,011,839	17,166,624	3,039,409	24,147,229	
Total liabilities and net assets	\$ 45,534,288	\$ 7,916,317	\$ 53,450,605	\$ 4,690,040	\$ 43,241,833	\$ 7,166,785	\$ 4,597,845	\$ 58,936,259	
Liabilities and Net Assets									
Accounts payable	\$ 482,204	\$ -	\$ 482,204	\$ -	\$ 131,056	\$ 131,056	\$ -	\$ 131,056	
Accrued liabilities	673,600	-	673,600	-	628,800	628,800	-	628,800	
Current portion of long-term debt	593,913	-	593,913	-	104,317	104,317	-	104,317	
Total current liabilities	1,749,717	-	1,749,717	-	864,173	864,173	-	864,173	
Advances from applicants	812,506	-	812,506	-	362,570	362,570	-	362,570	
Long-term debt - net of current portion	4,173,633	-	4,173,633	-	4,767,545	4,767,545	-	4,767,545	
Deferred income from entrance fees	27,156,459	-	27,156,459	-	27,051,704	27,051,704	-	27,051,704	
Mutual obligations	-	-	-	1,398,789	-	-	1,656,436	-	
Post-retirement obligation	184,002	-	184,002	-	184,002	184,002	-	184,002	
Total liabilities	34,076,317	-	34,076,317	1,398,789	33,229,994	33,229,994	1,656,436	34,786,430	
Net assets									
Unrestricted	11,457,971	-	11,457,971	-	10,011,839	10,011,839	-	10,011,839	
Designated	-	7,916,317	7,916,317	-	-	7,166,785	-	7,166,785	
Temporarily restricted	-	-	-	3,291,271	-	-	3,039,409	-	
Permanently restricted	-	-	-	-	-	-	-	3,939,796	
Total net assets	11,457,971	7,916,317	19,374,288	3,291,271	10,011,839	17,166,624	3,039,409	24,147,229	
Total liabilities and net assets	\$ 45,534,288	\$ 7,916,317	\$ 53,450,605	\$ 4,690,040	\$ 43,241,833	\$ 7,166,785	\$ 4,597,845	\$ 58,936,259	

See notes to the financial statements

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Statements of Activities and Changes in Net Assets

	Year Ended December 31, 2012				Year Ended December 31, 2011			
	Unrestricted		Temporarily Restricted		Unrestricted		Temporarily Restricted	
	Unrestricted	Designated	Unrestricted	Restricted	Unrestricted	Designated	Unrestricted	Restricted
Income from operations	\$ 8,692,419	\$ -	\$ 8,692,419	\$ -	\$ 8,327,788	\$ -	\$ 8,327,788	\$ -
Resident care fees	3,875,656	-	3,875,656	-	2,954,801	-	2,954,801	-
Interest	1,409,903	-	1,409,903	-	1,406,801	-	1,406,801	-
Medical Center routine services	17,500	-	17,500	-	17,500	-	17,500	-
Donated services - Board of Directors	352,010	28,917	380,927	-	438,989	24,400	463,389	-
Other resident services and operating income	14,347,488	28,917	14,376,405	-	13,143,679	24,400	13,168,079	-
Total income from operations	15,025,976	28,917	15,054,893	-	14,983,757	48,800	15,032,557	-
Investment income	150,625	75,464	226,079	179,210	166,778	138,078	304,856	258,688
Net realized and unrealized gains (losses)	455,309	343,009	798,318	632,890	(245,459)	(199,869)	(445,328)	(320,387)
Processing fees	4,750	-	4,750	-	4,225	-	4,225	-
Contributions	175,517	59,262	234,779	30,156	264,935	52,418	317,353	128,985
Change in value of split-interest trusts	-	-	-	(95,726)	(95,726)	-	-	(224,203)
Total other income (loss)	766,201	477,725	1,243,926	746,520	16,585	(6,045)	10,540	(168,907)
Assets released from restrictions	502,620	(211,100)	291,520	(281,320)	452,048	(188,052)	263,996	(263,996)
Endowment income included	101,021	102,117	203,138	(102,117)	-	32,755	32,755	(32,755)
Satisfactorily program restrictions	(384,873)	364,873	-	(101,021)	966	325,103	966	(966)
Board designated transfers	238,788	255,690	494,478	(494,659)	127,911	169,806	297,717	(287,717)
Total released from restrictions	15,372,457	762,532	16,134,989	251,862	13,288,175	188,161	13,476,336	(454,624)
Total revenue and other support	15,372,457	762,532	16,134,989	251,862	13,288,175	188,161	13,476,336	(454,624)
Operating expenses	8,370,849	-	8,370,849	-	7,870,031	-	7,870,031	-
Residential care	3,242,597	-	3,242,597	-	3,124,080	-	3,124,080	-
Medical Center	284,270	-	284,270	-	264,828	-	264,828	-
Interest	1,873,288	-	1,873,288	-	1,716,789	-	1,716,789	-
Depreciation	17,500	-	17,500	-	17,500	-	17,500	-
Donated services - Board of Directors	137,821	-	137,821	-	70,190	-	70,190	-
Loss on disposal of property and equipment	13,926,325	-	13,926,325	-	13,063,518	-	13,063,518	-
Total expenses	14,446,132	762,532	15,208,664	251,862	224,657	188,161	412,818	(454,624)
Change in net assets	10,011,859	7,156,785	17,168,624	3,039,409	9,787,182	6,985,624	16,755,608	3,494,033
Net assets, beginning of year	\$ 11,457,971	\$ 7,919,317	\$ 19,377,288	\$ 3,291,271	\$ 10,011,859	\$ 7,156,785	\$ 17,168,624	\$ 3,039,409
Net assets, end of year	\$ 21,469,830	\$ 15,076,102	\$ 36,545,912	\$ 6,322,680	\$ 19,793,041	\$ 14,142,409	\$ 33,924,232	\$ 6,533,442

See notes to the financial statements

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Statements of Cash Flows

	Year Ended December 31, 2012				Year Ended December 31, 2011			
	Unrestricted		Total		Unrestricted		Total	
	Designated	Temporarily Restricted	Unrestricted	Permanently Restricted	Designated	Temporarily Restricted	Permanently Restricted	
Cash flows from operating activities								
Revenues								
Resident care fees	\$ 8,715,030	\$ -	\$ 8,715,030	\$ -	\$ 8,300,641	\$ -	\$ 8,300,641	
Medical Center routine services	4,676,489	-	4,676,489	-	3,628,924	-	3,628,924	
Medical Center non-routine services	1,409,903	-	1,409,903	-	1,406,601	-	1,406,601	
Other resident services and operating income	545,766	-	545,766	-	437,811	-	437,811	
Investment income	28,917	-	28,917	-	24,400	-	24,400	
Processing fees	219,920	-	219,920	-	138,078	-	138,078	
Contributions	176,517	-	176,517	-	4,225	-	4,225	
Net assets released from restrictions	59,262	-	59,262	-	52,246	-	52,246	
Total revenues	10,286,934	51,740	10,338,674	51,740	9,583,139	113,286	9,696,425	
Expenses								
Cash paid for operating expenses	(11,326,765)	-	(11,326,765)	-	(11,400,937)	-	(11,400,937)	
Interest paid	(252,804)	-	(252,804)	-	(296,384)	-	(296,384)	
Total expenses	(11,579,569)	-	(11,579,569)	-	(11,697,321)	-	(11,697,321)	
Net cash provided by (used in) operating activities	4,246,346	51,740	4,298,086	51,740	2,464,089	113,286	2,577,375	
Cash flows from investing activities								
Proceeds from sale of investments	843,390	-	843,390	-	1,940,236	-	1,940,236	
Purchase of property and equipment	(1,018,295)	-	(1,018,295)	-	(1,853,764)	-	(1,853,764)	
Proceeds from sale of property and equipment	(2,447,882)	-	(2,447,882)	-	(2,668,681)	-	(2,668,681)	
Net cash provided by (used in) investing activities	(1,622,318)	-	(1,622,318)	-	(572,199)	-	(572,199)	
Cash flows from financing activities								
Repayment of long-term debt	(104,316)	-	(104,316)	-	(4,474,106)	-	(4,474,106)	
Restricted contributions	-	83,956	83,956	83,956	-	161,309	161,309	
Investment income restricted for reinvestment	-	283,511	283,511	283,511	-	257,010	257,010	
Payment of annuity obligations	-	(387,763)	(387,763)	(387,763)	-	(263,986)	(263,986)	
Payment of entrance fees	(224,623)	-	(224,623)	-	(110,726)	-	(110,726)	
(Payment) receipt of remainder interest in annuity trusts	107,047	(107,047)	-	-	-	-	-	
Net cash provided by (used in) financing activities	(224,623)	83,956	(140,667)	83,956	(4,380,826)	161,309	(4,219,517)	
Net increase (decrease) in cash	1,297,089	136,696	1,433,785	136,696	(2,488,836)	271,891	(2,216,945)	
Cash, beginning of year	2,628,924	2,656,907	5,285,831	171,005	5,371,935	110,709	5,482,644	
Cash, end of year	\$ 3,926,013	\$ 2,893,603	\$ 6,819,616	\$ 282,700	\$ 2,883,100	\$ 282,600	\$ 3,265,044	

See notes to the financial statements

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Statements of Cash Flows (Continued)

	Year Ended December 31, 2012			Year Ended December 31, 2011			Total	Total	Permanently Restricted	Temporarily Restricted	Designated	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total											Unrestricted	Temporarily Restricted	Total
	Designated	Unrestricted	Designated	Unrestricted	Temporarily Restricted	Designated											Unrestricted	Temporarily Restricted	Designated
	\$ 1,446,132	\$ 762,532	\$ 2,208,664	\$ 251,562	\$ -	\$ 251,562	\$ 2,460,526	\$ 188,161	\$ 412,818	\$ (454,624)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (41,806)			
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:																			
Depreciation	1,873,288	-	1,873,288	276,847	-	276,847	276,847	-	1,716,789	-	-	-	-	-	-	134,236			
Loss on disposal of property and equipment	137,821	-	137,821	-	-	-	1,873,288	-	70,190	-	-	-	-	-	-	1,716,788			
Net realized and unrealized (gains) losses	(455,009)	-	(455,009)	(632,860)	-	(632,860)	(1,431,198)	-	70,190	-	-	-	-	-	-	70,190			
Cash surrender value of life insurance	(17,799)	-	(17,799)	-	-	-	(1,431,198)	196,369	441,827	-	-	-	-	-	-	762,214			
Amortization of entrance fees	(3,834,273)	-	(3,834,273)	-	-	-	(3,834,273)	-	(32,514)	-	-	-	-	-	-	(32,514)			
Entrance fees received	4,226,533	-	4,226,533	-	-	-	(3,834,273)	-	(2,954,801)	-	-	-	-	-	-	(2,954,801)			
(Increase) decrease in operating assets	3,96,910	-	3,96,910	-	-	-	4,226,533	-	3,854,469	-	-	-	-	-	-	3,854,469			
Accounts receivable	41,793	-	41,793	104,171	-	104,171	518,116	(238,271)	(238,211)	-	-	-	-	-	-	(238,271)			
Due (to) from other funds	(103,866)	-	(103,866)	-	-	-	(162,357)	(32,795)	64,734	(100,000)	-	-	-	-	-	(35,266)			
Prepaid expenses	82,380	-	82,380	-	-	-	92,380	-	11,486	-	-	-	-	-	-	11,486			
Accounts payable	44,800	-	44,800	-	-	-	44,800	-	(296,720)	-	-	-	-	-	-	(296,720)			
Accrued liabilities	449,936	-	449,936	-	-	-	449,936	-	(325,545)	-	-	-	-	-	-	(325,545)			
Advances from applicants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Total adjustments	2,802,714	-	2,802,714	(251,562)	-	(251,562)	2,371,228	165,614	2,403,046	354,623	-	-	-	-	-	2,757,669			
Net cash provided by (used in) operating activities	\$ 4,248,846	\$ 293,408	\$ 4,542,254	\$ -	\$ -	\$ -	\$ 4,551,764	\$ 351,775	\$ 2,815,864	\$ (100,001)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,715,853			

See notes to the financial statements

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements
December 31, 2012

Note 1 - Summary of significant accounting policies

Nature of operations

Northern California Congregational Retirement Homes, Inc. (the Corporation) is a nonprofit public benefit corporation that operates Carmel Valley Manor (the Manor), a life care facility located in Carmel, California. The Manor opened in October 1963, and consists of 148 independent living units including five single family homes adjacent to the original Manor property, 24 assisted living units and 36 medical center beds. The Manor provides meals, lodging, most medical care, and miscellaneous services to approximately 247 residents.

Fund accounting

The accounts of the Corporation have been maintained in accordance with principles of fund accounting. Under these principles, resources are classified for accounting purposes into funds established according to their nature and purpose. The individual funds of the Corporation are as follows:

- The Operating Fund comprises resources that are available for support of the Manor's operations.
- The Endowment Fund is comprised of two parts, Part A and Part B.

Part A consists of (1) donations, gifts, bequests made to the Endowment Fund and other unrestricted bequests apparently intended to be enduring and in compliance with the purpose of the fund; (2) remainder interests in those Charitable Remainder Annuity Trusts terminated prior to March 1, 1994; (3) those trusts created prior to March 1, 1994 unless the trustors have specified in writing that the remainder interests shall be placed in Part B; and (4) those trusts created on or after March 1, 1994 with the written consent of the trustors. The principal of Part A shall accumulate and be retained in perpetuity to provide increasing income to the Manor and may be used only to meet the statutory reserve requirements of the State of California or to meet unforeseen emergencies if the assets in Part B are insufficient for these purposes. The investment return on Part A assets are temporarily restricted.

Part B consists of (1) any funds transferred from the Manor's reserve (operating) fund at the designation of the Board; (2) remainder interests in trusts created prior to March 1, 1994 with the written consent of the trustors; and (3) remainder interests in trusts created on or after March 1, 1994 provided the trustors have not specified in writing that such remainder interests shall be placed in Part A. The principal of Part B has no outside restrictions and can be utilized with the approval of the Board of Trustees for: unforeseen emergencies; funding improvements which are financially sound and will substantially improve the quality of life at the Manor; compliance with regulatory requirements; reducing operating expenses and debt which may have been or may be incurred to fund improvements.

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 1 - Summary of significant accounting policies (continued)

- The Charitable Remainder Annuity Trusts Fund (Annuity Trusts Fund) consists of the remaining principal amounts of annuity gifts to the Corporation. Under individual trust agreements, the Corporation is required to pay stipulated annuities to the donor over the donor's lifetime. The contribution portion of the gift is determined in the year the trust is established and recorded on the statements of activities and changes in net assets, as the difference between the fair value of the trust assets and the present value of the estimated annuity payments to be paid over the expected life of the annuitant using a discount rate of 8%, which is recorded as a liability on the statements of financial position. Subsequent to initial recognition, the liability is adjusted for discount amortization and revaluations of future payments to beneficiaries based on life expectancies, which are recognized as the change in value of split interest agreements on the statements of activities and changes in net assets. The remaining liability reverts to the Corporation upon death of the donor. The annuitants have designated that, on termination, the remaining principal of each Annuity Trust be transferred to either Part A or Part B of the Endowment Fund. Assets held in the charitable remainder trusts totaled \$2,111,307 and \$2,220,303 at December 31, 2012 and 2011, respectively, and are reported at fair value in the statements of financial position.
- The Charitable Remainder Unitrust Fund (Unitrust) consists of a trust created in January 1999 by a resident with a donation of real property. This property was sold and the proceeds invested in marketable securities. The Corporation, as trustee, is required to pay nine percent of the fair value of the trust, computed annually, to the donor over the donor's lifetime. The contribution portion of the gift recorded in the statements of activities and changes in net assets was the difference between the fair value of the trust assets and the present value of the estimated payments to be paid over the expected life of the donor. The entire principal reverts to the Corporation upon death of the donor, which occurred in February 2013. Assets held in the charitable remainder unitrust totaled \$392,313 and \$385,217 at December 31, 2012 and 2011, respectively, and are reported at fair value in the statements of financial position.
- The Other Funds are comprised of various temporarily restricted contributions including the Alabaster Fund that consists of a contribution to be used for resident entertainment. The income earned and up to ten percent of the principal may be used annually in the Alabaster Fund.
- The Sinking Fund is comprised of 10% of entrance fees designated by the Board to be used for repaying debt.
- The Residents' Association is comprised of income from the ROSE shop and donations designated for use by the Association. Funds are used by the Association, through the Residents' Council and its committees, primarily to advance the welfare of residents.

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 1 - Summary of significant accounting policies (continued)

Classes of net assets

The Corporation has classified the individual funds according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets are those net assets, which are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets are further categorized into undesignated and designated amounts. Undesignated net assets consist of the Manor's Operating Fund. Designated assets generally consist of the Endowment Fund Part B, the Sinking Fund, and the Residents' Association.

Temporarily restricted net assets are those net assets whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by the actions of the Board pursuant to those stipulations. Temporarily restricted net assets generally consist of donations to the Alabaster Fund, the Unitrust and the Annuity Trusts Fund.

Permanently restricted net assets are those net assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. Permanently restricted net assets generally consist of donations to the Endowment Fund Part A.

Basis of accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Concentration of credit risk

The Corporation maintains cash in brokerage and money market accounts that are not insured by the Federal Deposit Insurance Corporation (FDIC). The Corporation maintains non-interest bearing accounts with banks that are fully insured by the FDIC through December 31, 2012 and insured up to \$250,000 thereafter. The Corporation has a certificate of deposit that has exceeded the FDIC limit of \$250,000. The Corporation has not experienced any losses in such accounts. Management believes the Corporation is not exposed to significant credit risk relating to cash.

Cash equivalents

The Corporation considers all financial instruments with original maturities of three months or less when purchased to be cash equivalents.

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 1 - Summary of significant accounting policies (continued)

Accounts receivable and allowance for doubtful accounts

Accounts receivable consists primarily of amounts due from residents for the monthly care fees and routine medical services and are stated at the amount the Corporation expects to collect. When necessary, the Corporation provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. The Corporation has determined there is no need for an allowance for doubtful accounts at December 31, 2012 or 2011.

Investments

Investments in bond, equity and exchange traded funds are measured at fair value, which is the price that would be received if the investment was sold in an orderly transaction between market participants at the measurement date. Investments in certificates of deposits are stated at face value, which approximates fair value. Prana and TCW investments are valued at the amounts reported to the Corporation by Prana, TCW and the Corporation's investment advisors. These amounts are generally reported at face value, which the Corporation believes is a reasonable approximation of fair value. Realized and unrealized gains and losses (fair value fluctuation) are reflected in the statements of activities and changes in net assets.

Property and equipment

Property and equipment are stated at cost. Major additions, alterations, and improvements are capitalized. Repairs and maintenance are charged to expense as incurred. The cost and accumulated depreciation of items disposed of are removed from the accounts, and any gain or loss is included in the statements of activities and changes in net assets.

Depreciation is provided using the straight-line method at rates based on the estimated economic useful lives of the individual classes of assets.

Advances from applicants

Advances from applicants consist of deposits received from applicants who have not signed a continuing care contract as of December 31, 2012 and 2011.

Deferred income from entrance fees

Fees paid by a resident upon entering into a continuing 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, adjusted annually based on the actuarially determined estimated remaining life expectancy of the resident.

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 1 - Summary of significant accounting policies (continued)

Refund of entrance fees

After a ninety day period in which either the Corporation or the resident can cancel the contract without cause and up to approximately 5 years, the Corporation will generally refund to the resident shortly after the termination date of the contract the total amounts paid as the entrance fee less a charge of 1½ percent of the entrance fee for each month that the resident occupied the living accommodation. Based upon the Manor's history of issuing refunds, a refund reserve is not considered necessary as of December 31, 2012 and 2011. The total amount of entrance fees refundable at December 31, 2012 and 2011 is approximately \$10.8 million and \$11.1 million, respectively.

Restricted and unrestricted revenue

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 same period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities and changes in net assets as net assets released from restrictions.

Income tax and uncertain tax positions

The Corporation is organized and operated exclusively for charitable, religious and educational purposes and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Corporation identifies and evaluates all uncertain tax positions and believes all positions taken by the Corporation will be sustained upon examination for all open tax years. The Corporation's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

Presentation of certain taxes

The Corporation collects sales and occupancy taxes and remits these amounts to applicable taxing authorities. The Corporation's accounting policy is to exclude these taxes from revenues and expenses.

Subsequent events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Corporation evaluates all subsequent events and transactions to determine whether any transaction needs to be recognized or disclosed. The Corporation has evaluated all subsequent events through May 28, 2013, which is the date the financial statements are available to be issued, and has determined no events or transactions need to be recognized or disclosed in these financial statements, except as disclosed in Notes 1, 4, 7 and 18.

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 2 - Investments

The Corporation's investment portfolio consists of the following:

	December 31	
	2012	2011
Mutual bond funds	\$ 7,509,948	\$ 7,096,467
Mutual equity funds	7,994,908	6,716,362
Exchange traded funds	1,060,742	699,319
Certificate of deposit	321,719	320,913
Prana Income Fund - Ten, LLC	2,200,000	2,469,204
Prana Realty Company 1 common stock	201,139	196,688
TCW Special Mortgage Credits Fund II, L.P.	-	554,632
Total	<u>\$ 19,288,456</u>	<u>\$ 18,053,585</u>

The Corporation invested in unsecured notes issued by Prana Income Fund – Ten, LLC (“Prana”). Prana is a fund that makes loans to limited liability companies (LLC’s) formed for the purpose of investing in residential real estate and mortgage loans located in the San Francisco Bay Area, New York and Los Angeles. Prana loans to the LLC’s are unsecured and the ability of the LLC’s to repay the Prana loans (principal and interest) is dependent on their ability to generate profits from these properties. The Corporation will receive from Prana fixed interest at 6% payable quarterly and contingent interest at 2%, if any, based upon the results for the underlying assets in the fund. There is also bonus contingent interest at 45% of profits. The initial principal of the notes are repayable in 20% installments, due on December 31, 2012 and each December 31 thereafter until December 31, 2016. At December 31, 2012, the Corporation has received 20% of the initial principal balance. These notes are not readily marketable, in part due to withdrawal restrictions placed by Prana on transferring the notes. Since there is no readily available market for these notes, they are valued at amounts reported to the Corporation by Prana and the Corporation’s investment advisors, which approximates face value less any return of principal. The Corporation believes this is a reasonable approximation of fair value.

The Corporation purchased common stock in an initial offering in 2007 of Prana Realty Company I (the Company), the general partner of City Realty Partners I (the Partnership) through which the Company purchased 9 apartment buildings in the Bronx, New York. The Company and Partnership are valued every six months based on the value of the Partnership’s real estate portfolio. For properties held less than six months, the value is set equal to their cost. For properties held between six months and three years, the value is set equal to the higher of the purchase multiple (gross purchase price divided by the total rent roll at purchase) times the annual rent roll, or their cost. For properties held three years or longer, an appraisal will be obtained. Changes in multiples are recognized when properties are sold or at the time of the appraisal. This investment is not readily marketable, in part due to withdrawal restrictions placed by

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 2 - Investments (continued)

Prana. Since 2009, Prana has paid out \$4.6 million in redemptions (48% of investor capital). The fair value of these shares is determined twice a year by Prana and is a combination of the original cost and purchase multiples times the annual rent roll. Rent rolls and market rents both increased during 2012 resulting in a 6.4% increase in share value. The remaining 7 buildings were valued at \$16 million and the fund had total assets of \$18.9 million and \$11.7 million in mortgage debt.

The Corporation was a limited partner in TCW Special Mortgage Credits Fund II (Cayman). The Fund seeks to maximize total returns in a variety of assets impacted by the downturn in the U.S. residential mortgage market and the resulting volatility in the related mortgage loan and securitization markets, including mortgage and asset backed securities, collateralized debt obligations ("CDOs"), whole loans, and other assets. The term of the Fund is three years. This investment in limited partnership was not immediately liquid and the value was based upon guidelines established by the general partner. The fair value of the limited interest in the Fund is calculated as a pro-rata share of the fair value of underlying assets of the Fund. Management believed this method provided a reasonable estimate of fair value. In 2012, the term of the Fund ended and the Corporation received its final distribution.

Note 3 - Fair value measurements

The Corporation adopted the provisions of fair value measurements which defines fair value, establishes a framework for measuring fair value and also expands the disclosures about fair value measurements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1. Inputs are based on unadjusted quoted prices for identical assets in an active market the Corporation has the ability to access. Examples of these are investments in common stocks and mutual funds.

Level 2. Inputs are based on quoted prices in markets that are not active and other valuation methodologies or model inputs that are observable either directly or indirectly as of the measurement date. Examples of these investments include corporate and municipal bonds that trade infrequently.

Level 3. Inputs are based on prices or valuation techniques that are unobservable for the investment and include situations where there is little, if any, market activity. These inputs reflect assumptions of management about in pricing the investments or life expectancies. Examples of these investments are certain private equity investments and annuity obligations.

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 3 - Fair value measurements (continued)

A summary of the assets and liabilities measured on a recurring basis at fair value, by level including the fair value hierarchy at December 31, 2012 and 2011, is as follows:

	December 31, 2012			
	Total Fair Value	Level 1	Level 2	Level 3
Mutual bond funds				
Investment grade	\$ 6,565,712	\$ 6,565,712	\$ -	\$ -
international	813,754	813,754	-	-
U.S. Government	29,094	29,094	-	-
Fixed income	101,388	101,388	-	-
Mutual equity funds				
Large Cap	4,075,843	4,075,843	-	-
International	2,475,952	2,475,952	-	-
Alternative investments	1,443,113	1,443,113	-	-
Exchange traded funds				
International	1,060,742	1,060,742	-	-
Certificates of deposit	321,719	321,719	-	-
Prana Income Fund - Ten, LLC	2,200,000	-	-	2,200,000
Prana Realty Company I	201,139	-	-	201,139
Cash surrender value of life insurance	358,175	-	-	358,175
Total	<u>\$ 19,646,631</u>	<u>\$ 16,887,317</u>	<u>\$ -</u>	<u>\$ 2,759,314</u>
Liabilities				
Annuity obligations				
Annuity trusts	\$ 1,302,769	\$ -	\$ -	\$ 1,302,769
Unitrust	96,000	-	-	96,000
Post retirement obligation	208,967	-	-	208,967
Total	<u>\$ 1,607,736</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,607,736</u>

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 3 - Fair value measurements (continued)

	December 31, 2011			
	Total Fair Value	Level 1	Level 2	Level 3
Mutual bond funds				
Investment grade	\$ 6,051,752	\$ 6,051,752	\$ -	\$ -
Fixed income	103,114	103,114	-	-
International	907,938	907,938	-	-
U.S. Government	33,663	33,663	-	-
Mutual equity funds				
Large Cap	4,030,623	4,030,623	-	-
International	1,332,764	1,332,764	-	-
Alternative investments	1,352,975	1,352,975	-	-
Exchange traded funds				
International	699,319	699,319	-	-
Certificates of deposit	320,913	320,913	-	-
Prana Income Fund - Ten, LLC	2,469,204	-	-	2,469,204
Prana Realty Company I	196,688	-	-	196,688
TCW Special Mortgage Credits Fund II, L.P.	554,632	-	-	554,632
Cash surrender value of life insurance	340,376	-	-	340,376
Total	<u>\$ 18,393,961</u>	<u>\$14,833,061</u>	<u>\$ -</u>	<u>\$3,560,900</u>
Liabilities				
Annuity obligations				
Annuity trusts	\$ 1,415,437	\$ -	\$ -	\$1,415,437
Unitrust	142,999	-	-	142,999
Post retirement obligation	208,967	-	-	208,967
Total	<u>\$ 1,767,403</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,767,403</u>

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 3 - Fair value measurements (continued)

Changes in Level 3 assets measured at fair value on a recurring basis

	December 31, 2011	Gains/ (Losses)	Purchases	Sales	December 31, 2012
Prana Income Fund - Ten, LLC	\$ 2,469,204	\$ -	\$ -	\$ (269,204)	\$ 2,200,000
Prana Realty Company I	196,688	4,451	-	-	201,139
TCW Special Mortgage Credits Fund II, L.P.	554,632	(18,662)	-	(535,970)	-
Cash surrender value of life insurance	340,376	17,799	-	-	358,175
Total	<u>\$ 3,560,900</u>	<u>\$ 3,588</u>	<u>\$ -</u>	<u>\$ (805,174)</u>	<u>\$ 2,759,314</u>

	December 31, 2010	Gains/ (Losses)	Purchases	Sales	December 31, 2011
Prana Income Fund - Ten, LLC	\$ 2,469,204	\$ -	\$ -	\$ -	\$ 2,469,204
Prana Realty Company I	185,569	11,119	-	-	196,688
TCW Special Mortgage Credits Fund II, L.P.	1,386,377	(92,157)	1,191,839	(1,931,427)	554,632
Cash surrender value of life insurance	307,862	12,514	20,000	-	340,376
	<u>\$ 4,349,012</u>	<u>\$ (68,524)</u>	<u>\$ 1,211,839</u>	<u>\$ (1,931,427)</u>	<u>\$ 3,560,900</u>

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 3 - Fair value measurements (continued)

Cash surrender value of life insurance

The Corporation is the owner and the beneficiary of an adjustable universal life insurance policy on the life of the former President of the Corporation. The fair value of this policy is considered equal to the cash surrender value. The cash surrender value is the amount the insurance company would pay upon cancellation of the policy which is calculated by the insurance company as the excess of premiums paid over cost of insurance and administrative fees plus interest earned at a competitive market rate with guaranteed minimum interest rate of 4%. The cash surrender value of the policy was \$358,175 and \$340,376 at December 31, 2012 and 2011, respectively.

Annuity obligations

On an annual basis, the Corporation revalues the liability to make distributions to the designated beneficiaries of the Annuity Trusts and the Unitrust based on actuarial assumptions. The present value of the estimated future payments for Annuity Trusts is calculated using a discount rate of 8% and the remaining life expectancy of the beneficiaries based on applicable mortality tables. The present value of the estimated future payments for the Unitrust is calculated using a discount rate of 9% and the applicable mortality tables.

Post retirement obligation

The present value of the estimated future payments to the President of the Corporation is calculated using a discount rate of 6% and assuming a retirement date in excess of one year from the date of the financial statements.

Note 4 - Commitments

The Corporation entered in to contract with the former President of the Corporation in which he will serve as a consultant as may be required after he retired in 2012. He will also receive an annual payment of \$25,000 for eleven years beginning in January 2013 for a total of \$275,000. If he dies or is disabled at any time before the full \$275,000 is paid, the remaining balance will be paid in full to his trust. Using a present value discount rate of 6% and the first payment being made in January 2013, the post-retirement obligation at December 31, 2012 is \$208,967 of which \$24,967 is included in accrued liabilities.

Note 5 - Related parties

A current board member and former executive director of the Manor who retired in 2012 are officers and/or directors of another organization providing employee insurance services to the Manor.

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 6 - Property and equipment

The major categories of property and equipment and accumulated depreciation thereon are as follows:

	December 31	
	2012	2011
Building and improvements	\$ 37,160,432	\$ 35,890,552
Hillcrest assisted living center	4,479,695	4,479,695
Medical center	5,009,817	5,009,817
Administrative and activity building	3,254,080	3,254,080
Pavement resurfacing	499,602	499,602
Sprinkler system and well	472,382	472,382
Septic drain	162,527	162,527
Furnishings and carpeting	456,757	180,562
Computer equipment	226,971	228,742
Furniture	1,641,350	1,198,621
Health center equipment	205,081	196,274
Kitchen equipment	458,946	335,610
Laundry equipment	-	50,439
Maintenance equipment	76,534	113,634
Artwork and collections	143,026	143,026
Miscellaneous equipment	266,046	457,510
Motor vehicles	441,990	330,464
Landscaping	729,689	653,402
Telephone equipment	458,763	458,763
Total depreciable property and equipment	<u>56,143,688</u>	<u>54,115,702</u>
Less accumulated depreciation	<u>(21,883,097)</u>	<u>(20,696,987)</u>
	34,260,591	33,418,715
Land	403,575	403,575
Construction in progress	<u>142,877</u>	<u>352,394</u>
Net property and equipment	<u>\$ 34,807,043</u>	<u>\$ 34,174,684</u>

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 7 - Long-term debt

Long-term debt consists of the following:

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Note payable with the 1st Capital Bank, secured by deed of trust, payable in monthly installments of \$25,081 for principal and fixed interest at 4.85% beginning February 5, 2012 and maturing on January 5, 2022, at which time a one time balloon payment estimated to be \$3,227,984 is due.	\$ 4,269,657	\$ 4,350,000
Note payable dated November 30, 2004 with a former resident secured by a deed of trust on a single family home adjacent to the Manor; payable in monthly installments of \$4,127 including interest at 5%. Balance due in full on January 15, 2027. The Manor paid the principal balance in full on February 11, 2013.	<u>497,889</u>	<u>521,862</u>
	4,767,546	4,871,862
Less current portion	<u>593,913</u>	<u>104,317</u>
Long-term debt - net of current portion	<u>\$ 4,173,633</u>	<u>\$ 4,767,545</u>

Maturities on the long-term debt are as follows:

<u>Year Ending</u> <u>December 31</u>	
2013	\$ 593,913
2014	100,786
2015	105,784
2016	110,486
2017	116,510
Thereafter	<u>3,740,067</u>
Total	<u>\$ 4,767,546</u>

The note payable requires the Manor to comply with certain financial covenants, all of which were made at December 31, 2012 and 2011.

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 8 - Long-term care commitment

The Corporation records a liability for the obligation to provide future services and the use of facilities to current residents when such costs are estimated to exceed anticipated revenues and the balance of unamortized entrance fees. Costs are comprised of per capita costs for all residents plus depreciation expense. The per capita costs are calculated based upon a four percent annual increase in costs multiplied by a life expectancy factor for each resident. Anticipated revenues from the few contracts for which there are no fee increases are calculated as current monthly fees multiplied by a life expectancy factor for each resident. Anticipated revenues for all other contracts are calculated as current monthly fees with a four percent annual increase multiplied by a life expectancy factor for each resident. The present value of future cash inflows and outflows is calculated with a discount rate of 6%. Depreciation expense is computed based upon expense per average number of residents multiplied by a total annuity factor for all residents. As of December 31, 2012 and 2011, future revenues were estimated to exceed costs to provide future services, therefore, no long-term care commitment liability is necessary.

Note 9 - Deferred income from entrance fees

The changes in the deferred income from entrance fees are as follows:

	December 31	
	2012	2011
Balance, beginning of year	\$ 27,051,704	\$ 26,152,036
New fees received	4,267,916	3,854,469
Recognition of fees	(3,875,656)	(2,954,801)
Refunds	(287,505)	-
Balance, end of year	<u>\$ 27,156,459</u>	<u>\$ 27,051,704</u>

Note 10 - Employee retirement plan

The Corporation has a section 403 (b) retirement savings plan. All full-time and part-time employees become eligible to participate in the Plan on their hire date. On-call employees, who work less than 1,000 hours a year, are not eligible to participate in the Plan. The amount of matched contributions made by the Corporation was \$78,012 and \$76,518 in 2012 and 2011, respectively.

The Manor may match a full-time employee's contribution dollar for dollar up to a maximum of 3% of a participant's compensation. To qualify for the employer discretionary matching contribution, the participant must be a full time employee for a continuous period of 2 years with no breaks in service. Part-time employees are not eligible for the employer discretionary matching contribution.

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 11 - Health insurance

The Corporation maintains a self-insurance program for its employees' health care costs. Claims are processed by a third party claims administrator. The Corporation limits its losses through the use of stop-loss policies from reinsurers. Specific individual losses for claims are limited to \$30,000 in 2012 and \$25,000 in 2011. At December 31, 2012 and 2011, the Manor is owed a receivable for specific stop-loss reinsurance of \$80,701 and \$400,105, respectively. The Corporation's aggregate annual loss limitation is based on a formula that considers, among other things, the total number of employees. At December 31, 2012 and 2011, this aggregate excluding reinsurance premiums, is limited to \$1,064,983 and \$975,156, respectively. Self-insurance costs are accrued based on claims reported as of December 31 as well as an estimated liability for claims incurred but not reported. The total accrued liability recorded for self-insurance costs was estimated to be \$59,423 and \$56,516 as of December 31, 2012 and 2011, respectively. While it is at least reasonably possible that the estimate will change materially in the near term, no estimate can be made of the range of additional liability that is at least reasonably possible. In December 2012, the self-insurance program was terminated by the Manor without any penalties.

Note 12 - Temporarily restricted net assets

Temporarily restricted net assets consist of the following:

	December 31	
	2012	2011
Endowment Fund, Part A	\$ 2,135,516	\$ 1,846,605
Other Funds	50,904	145,720
Unitrust Fund	296,313	242,218
Annuity Trusts Fund	808,538	804,866
Balance, end of year	<u>\$ 3,291,271</u>	<u>\$ 3,039,409</u>

Note 13 - Designated net assets

Designated net assets consist of the following:

	December 31	
	2012	2011
Endowment Fund, Part B	\$ 4,520,465	\$ 4,182,887
Sinking Fund	3,350,786	2,926,764
Residents' Association	48,066	47,134
Balance, end of year	<u>\$ 7,919,317</u>	<u>\$ 7,156,785</u>

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 14 - Endowment

The Corporation's endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of the Corporation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted by California in 2008 as SB 1329, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the endowment fund not classified as permanently restricted net assets is classified as temporarily restricted or designated net assets until donor specified restrictions are met or those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Corporation 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 Corporation 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 organization.
7. The investment policies of the organization.

Investment return objectives and risk parameters

The Corporation has adopted investment and spending policies for the endowment fund. Under this policy, the endowment assets are invested in a manner that is intended to achieve the balanced accomplishment of current income with the growth and conservation of principal with interest and dividend income to be used to help meet operating expenses. At December 31, 2012, endowment investments are allocated as follows: 37% investment grade bonds, 44% U.S. equity funds, 5% Emerging markets or foreign funds and 14% alternative investments. In managing risk within the endowment fund, the objective is to achieve total returns in excess of the average returns for an equity-tilted balance portfolio. Losses of 15% are tolerable.

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 14 - Endowment (continued)

Strategies employed for achieving objectives

The Corporation's investment strategy involves under and over weighting various asset classes based on an assessment of the risk and return potential specific to each asset class at any point in time.

Spending policy and how the investment objectives relate to spending policy

The Corporation has a policy of appropriating for distribution each year five percent of the average closing market value of all Endowment Fund investments for the three preceding years to be available for general operating purposes. The five percent allocation on the permanently restricted endowment is distributed from the temporarily restricted endowment. The five percent may be adjusted up or down in the future in order to maintain a fiscally prudent program for distribution consistent with the Corporation's objective to grow and conserve principal in the endowment fund with interest and dividend income to be used to help meet the operating expenses, but not the non-operating requirements, of the Manor.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Corporation to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2012 or 2011.

Endowment net asset composition by type of fund:

Assets	December 31, 2012			
	Permanently Restricted Part A	Temporarily Restricted Part A	Unrestricted Designated Part B	Total
	Cash	\$ -	\$ 144,618	\$ 107,769
Due (to) from other funds	26,385	-	(217,260)	(190,875)
Total current assets	26,385	144,618	(109,491)	61,512
Investments	3,913,411	1,990,898	4,629,956	10,534,265
Total assets	\$ 3,939,796	\$ 2,135,516	\$ 4,520,465	\$ 10,595,777

Assets	December 31, 2011			
	Permanently Restricted Part A	Temporarily Restricted Part A	Unrestricted Designated Part B	Total
	Cash	\$ -	\$ 124,393	\$ 90,078
Interest and dividends receivable	-	104,171	64,485	168,656
Due (to) from other funds	26,385	-	(212,330)	(185,945)
Total current assets	26,385	228,564	(57,767)	197,182
Investments	3,913,411	1,618,041	4,240,654	9,772,106
Total assets	\$ 3,939,796	\$ 1,846,605	\$ 4,182,887	\$ 9,969,288

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 14 - Endowment (continued)

Changes in endowment net assets:

	Year Ended December 31, 2012			Total
	Permanently Restricted Part A	Temporarily Restricted Part A	Unrestricted Designated Part B	
Other income				
Investment income, net	\$ -	\$ 106,677	\$ 77,248	\$ 183,925
Contributions	-	-	26,250	26,250
Net realized and unrealized gains	-	473,754	343,063	816,817
Total other income	-	580,431	446,561	1,026,992
Net assets released from restrictions				
Endowment income distributions	-	(291,520)	(211,100)	(502,620)
Remainder of terminated annuity trusts	-	-	102,117	102,117
Total net assets released from restrictions	-	(291,520)	(108,983)	(400,503)
Change in net assets	-	288,911	337,578	626,489
Net assets, beginning of year	3,939,796	1,846,605	4,182,887	9,969,288
Net assets, end of year	<u>\$ 3,939,796</u>	<u>\$ 2,135,516</u>	<u>\$ 4,520,465</u>	<u>\$ 10,595,777</u>
	Year Ended December 31, 2011			
	Permanently Restricted Part A	Temporarily Restricted Part A	Unrestricted Designated Part B	Total
Other income				
Investment income, net	\$ -	\$ 190,424	\$ 135,645	\$ 326,069
Contributions	-	-	26,600	26,600
Net realized and unrealized losses	-	(276,449)	(196,923)	(473,372)
Total other income (loss)	-	(86,025)	(34,678)	(120,703)
Net assets released from restrictions				
Endowment income distributions	-	(263,996)	(188,052)	(452,048)
Remainder of terminated annuity trusts	-	-	32,755	32,755
Total net assets released from restrictions	-	(263,996)	(155,297)	(419,293)
Change in net assets	-	(350,021)	(189,975)	(539,996)
Net assets, beginning of year	3,939,796	2,196,626	4,372,862	10,509,284
Net assets, end of year	<u>\$ 3,939,796</u>	<u>\$ 1,846,605</u>	<u>\$ 4,182,887</u>	<u>\$ 9,969,288</u>

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Notes to the Financial Statements (Continued)
December 31, 2012

Note 15 - Investment expenses

Expenses relating to investment income, including custodial fees and investment advisory fees, have been included in operating expenses for the Operating Fund and included in change in value of split-interest trusts for the Unitrust. Other investment expenses have been netted against investment income in the accompanying statements of activities and changes in net assets as follows:

	<u>Year Ended December 31</u>	
	<u>2012</u>	<u>2011</u>
Designated net assets		
Endowment Fund, Part B	\$ 15,623	\$ 18,619
Temporarily restricted net assets		
Endowment Fund, Part A	21,574	26,138
Annuity Trust Fund	<u>7,634</u>	<u>9,740</u>
Total	<u>\$ 44,831</u>	<u>\$ 54,497</u>

Note 16 - Supplemental disclosure of non-cash and financing activities

Purchases of property and equipment included in accounts payable were \$271,239 and \$75,353 in 2012 and 2011, respectively.

Note 17 - Health and Safety Code Section 1790 (A)(3) Disclosure

Improvements made during the year include (a) Landscaping of \$142,602 which consist of a new entry sign, new lawns and renovation of a courtyard; (b) unit renovations of \$1,457,677; (c) carpets and floor coverings of \$311,177 which consists of carpet, floor coverings and a renovation in the Hillcrest and West Parlor; (d) furniture and equipment of \$504,254 which consists of banquet tables and new furniture and blinds; (e) kitchen equipment of \$149,646 which consists of a copier, dishwasher and kitchen equipment; (f) artwork of \$22,815; (g) miscellaneous equipment of \$22,815 that consists of digital radios and appliances and (h) motor vehicles of \$111,525 that consists of a van and a sedan.

These improvements are necessary and consistent with the Manor's tax exempt purpose to maintain and provide facilities to meet the housing, health care and other needs of their residents.

Note 18 - Subsequent events

The Manor is a defendant in a class action lawsuit filed by a former employee alleging the Manor has not complied with overtime, meal and rest period and disclosure statements in accordance with California Labor Code and Wage Orders. Outside counsel for the Manor has advised that at this stage in the proceedings they cannot offer an opinion as to the probable outcome. The Manor does not believe the outcome of the lawsuit will have a material impact on its operations.

Independent Auditor's Report on Accompanying Information

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on pages 26 through 35 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting records and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information to the underlying accounting records and other records, used to prepare the financial statements or to the financial statements themselves, and other auditing 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 basic financial statements taken as a whole.

PKF

Certified Public Accountants
A Professional Corporation

May 28, 2013
San Francisco, California

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.
Temporarily Restricted Net Assets Combining Schedule

	December 31, 2012				December 31, 2011					
	Endowment Part A	Other Funds	Unitrust	Annuity Trusts	Total	Endowment Part A	Other Funds	Unitrust	Annuity Trusts	Total
Assets										
Cash	\$ 144,618	\$ -	\$ 12,841	\$ 45,783	\$ 203,242	\$ 124,393	\$ -	\$ 2,099	\$ 44,513	\$ 171,005
Interest and dividends receivable	-	-	9,508	-	9,508	104,171	-	9,508	-	113,679
Due (to) from other funds	-	50,904	(1,500)	153,357	202,761	-	145,720	(1,500)	107,647	251,867
Total current assets	144,618	50,904	20,849	199,140	415,511	228,564	145,720	10,107	152,160	536,551
Investments	1,990,898	-	371,464	1,912,167	4,274,529	1,618,041	-	375,110	2,068,143	4,061,294
Total assets	\$ 2,135,516	\$ 50,904	\$ 392,313	\$ 2,111,307	\$ 4,690,040	\$ 1,846,605	\$ 145,720	\$ 385,217	\$ 2,220,303	\$ 4,597,845
Liabilities and Net Assets										
Liabilities										
Annuity obligations	\$ -	\$ -	\$ 96,000	\$ 1,302,769	\$ 1,398,769	\$ -	\$ -	\$ 142,999	\$ 1,415,437	\$ 1,558,436
Temporarily restricted net assets	2,135,516	50,904	296,313	808,538	3,291,271	1,846,605	145,720	242,218	804,866	3,039,409
Total liabilities and net assets	\$ 2,135,516	\$ 50,904	\$ 392,313	\$ 2,111,307	\$ 4,690,040	\$ 1,846,605	\$ 145,720	\$ 385,217	\$ 2,220,303	\$ 4,597,845

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Temporarily Restricted Net Assets Combining Schedule

	Year Ended December 31, 2012				Year Ended December 31, 2011					
	Endowment Part A	Other Funds	Unitrust	Annuity Trusts	Total	Endowment Part A	Other Funds	Unitrust	Annuity Trusts	Total
Other income										
Investment income	\$ 106,677	\$ -	\$ -	\$ 72,533	\$ 179,210	\$ 190,424	\$ 1,689	\$ -	\$ 66,585	\$ 258,698
Contributions	-	-	-	30,156	30,156	-	100,000	-	28,985	128,985
Net realized and unrealized gains (losses)	473,754	6,205	-	152,921	632,880	(276,449)	(1,425)	-	(42,513)	(320,387)
Change in value of split-interest trusts	-	-	-	-	-	-	-	-	-	-
Revaluation of trust obligations	-	-	54,095	(149,821)	(95,726)	-	-	(14,219)	(209,984)	(224,203)
Total other income (loss)	580,431	6,205	54,095	105,789	746,520	(86,025)	100,264	(14,219)	(156,927)	(156,907)
Net assets released from restrictions										
Endowment income distribution	(291,520)	-	-	-	(291,520)	(263,996)	-	-	-	(263,996)
Remainder of terminated annuity trusts	-	-	-	(102,117)	(102,117)	-	-	-	(32,755)	(32,755)
Satisfaction of program restrictions	-	(1,021)	-	-	(1,021)	-	(966)	-	-	(966)
Entertainment	-	(100,000)	-	-	(100,000)	-	-	-	-	-
Purchase of property and equipment	-	-	-	-	-	-	-	-	-	-
Total released from restrictions	(291,520)	(101,021)	-	(102,117)	(494,658)	(263,996)	(966)	-	(32,755)	(297,717)
Change in net assets	288,911	(94,816)	54,095	3,672	251,862	(350,021)	99,298	(14,219)	(189,682)	(454,624)
Net assets, beginning of year	1,846,605	145,720	242,218	804,866	3,039,409	2,196,626	46,422	256,437	994,548	3,494,033
Net assets, end of year	\$ 2,135,516	\$ 50,904	\$ 296,313	\$ 808,538	\$ 3,291,271	\$ 1,846,605	\$ 145,720	\$ 242,218	\$ 804,866	\$ 3,039,409

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Designated Net Assets Combining Schedule

	December 31, 2012				December 31, 2011			
	Endowment Part B	Sinking Fund	Residents' Association	Total	Endowment Part B	Sinking Fund	Residents' Association	Total
Assets								
Cash	\$ 107,769	\$ 2,846,474	\$ 29,741	\$ 2,983,984	\$ 90,078	\$ 2,521,741	\$ 24,088	\$ 2,635,907
Interest and dividends receivable	-	-	-	-	64,485	3,550	-	68,035
Due (to) from other funds	(217,260)	182,593	-	(34,667)	(212,330)	80,560	-	(131,770)
Total current assets	(109,491)	3,029,067	29,741	2,949,317	(57,767)	2,605,851	24,088	2,572,172
Investments	4,629,956	321,719	18,325	4,970,000	4,240,654	320,913	23,046	4,584,613
Total assets	\$ 4,520,465	\$ 3,350,786	\$ 48,066	\$ 7,919,317	\$ 4,182,887	\$ 2,926,764	\$ 47,134	\$ 7,156,785
Liabilities and Net Assets								
Designated net assets	\$ 4,520,465	\$ 3,350,786	\$ 48,066	\$ 7,919,317	\$ 4,182,887	\$ 2,926,764	\$ 47,134	\$ 7,156,785
Total liabilities and net assets	\$ 4,520,465	\$ 3,350,786	\$ 48,066	\$ 7,919,317	\$ 4,182,887	\$ 2,926,764	\$ 47,134	\$ 7,156,785

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Designated Net Assets Combining Schedule

	Year Ended December 31, 2012			Year Ended December 31, 2011			
	Endowment Part B	Sinking Fund	Residents' Association	Endowment Part B	Sinking Fund	Residents' Association	Total
Income from operations	\$ -	\$ -	\$ 28,917	\$ -	\$ -	\$ 24,400	\$ 24,400
Other income (loss)							
Investment income, net	77,248	(2,127)	333	135,645	2,113	320	138,078
Contributions	26,250	-	33,012	26,600	-	25,646	52,246
Net realized and unrealized gains (losses)	343,063	-	(54)	(196,923)	-	554	(196,369)
Total other income (loss)	446,561	(2,127)	33,291	(34,678)	2,113	26,520	(6,045)
Net assets released from restrictions							
Endowment income	(211,100)	-	-	(188,052)	-	-	(188,052)
Remainder of terminated annuity trusts	102,117	-	-	32,755	-	-	32,755
Board designated transfers	-	426,149	(61,276)	-	385,447	(60,344)	325,103
Total released from restrictions	(108,983)	426,149	(61,276)	(155,297)	385,447	(60,344)	169,806
Change in net assets	337,578	424,022	932	(189,975)	387,560	(9,424)	188,161
Net assets, beginning of year	4,182,887	2,926,764	47,134	4,372,862	2,539,204	56,558	6,968,624
Net assets, end of year	\$ 4,520,465	\$ 3,350,786	\$ 48,066	\$ 4,182,887	\$ 2,926,764	\$ 47,134	\$ 7,156,785

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Residential Care

	Year Ended December 31	
	2012	2011
Income		
Resident care fees	\$ 8,692,419	\$ 8,327,788
Entrance fees	3,875,656	2,954,801
Other resident services and operating income		
Medicare and supplemental insurance	21,978	94,430
Guest meals	102,827	106,921
Guest rooms	87,339	92,356
Physical therapy	50,619	51,405
Miscellaneous	89,247	91,877
Total income	12,920,085	11,719,578
Departmental expenses (pages 31 to 33)	8,370,849	7,870,031
Departmental income	<u>\$ 4,549,236</u>	<u>\$ 3,849,547</u>

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Departmental Expenses

Residential Care

	Year Ended December 31	
	2012	2011
Food service		
Salaries and wages	\$ 1,208,153	\$ 1,201,307
Payroll taxes and benefits	484,724	427,089
Food cost	650,980	661,193
Contract maintenance	5,565	9,112
Supplies	70,945	68,942
Uniforms	19,046	18,504
Miscellaneous	6,656	10,560
	<u>2,446,069</u>	<u>2,396,707</u>
Intermediate care		
Salaries and wages	437,126	414,775
Payroll taxes and benefits	124,299	101,484
Pharmacy	424	(4,811)
Supplies	18,626	24,745
Laundry	19,800	20,245
Miscellaneous	12,753	23,991
	<u>613,028</u>	<u>580,429</u>
Housekeeping		
Salaries and wages	331,288	316,153
Payroll taxes and benefits	176,796	162,340
Supplies	31,005	33,753
Uniforms	4,116	2,871
Miscellaneous	27,914	31,378
	<u>571,119</u>	<u>546,495</u>
Laundry & Linen		
Salaries and wages	56,540	57,866
Payroll taxes and benefits	9,651	11,338
Supplies	12,040	12,200
Allocation	(61,800)	(63,454)
Miscellaneous	2,617	3,294
	<u>19,048</u>	<u>21,244</u>
Total (carried over)	<u>\$ 3,649,264</u>	<u>\$ 3,544,875</u>

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Departmental Expenses (Continued)

Residential Care

	Year Ended December 31	
	2012	2011
Total (carried over)	<u>\$ 3,649,264</u>	<u>\$ 3,544,875</u>
Grounds and garden		
Salaries and wages	223,747	217,848
Payroll taxes and benefits	75,462	70,007
Contract maintenance	5,595	18,672
Supplies	14,425	12,899
Trees, shrubs, seeds	30,787	36,953
Uniforms	2,599	-
Utilities	-	(7,911)
Miscellaneous	12,036	11,542
	<u>364,651</u>	<u>360,010</u>
General maintenance		
Salaries and wages	441,112	427,642
Payroll taxes and benefits	114,539	102,082
Contract maintenance	82,797	79,373
Supplies	256,730	169,294
Uniforms	5,588	4,157
Utilities	556,270	634,460
Miscellaneous	6,713	12,331
	<u>1,463,749</u>	<u>1,429,339</u>
Transportation		
Salaries and wages	68,113	61,704
Payroll taxes and benefits	24,968	20,532
Gas and oil	15,514	15,035
Maintenance	11,702	12,566
Miscellaneous	6,370	4,619
	<u>126,667</u>	<u>114,456</u>
Resident medical plans		
Medical care	57,985	128,332
Hospital care	8,327	5,567
Medicare insurance	-	(167)
	<u>66,312</u>	<u>133,732</u>
Total (carried over)	<u>\$ 5,670,643</u>	<u>\$ 5,582,412</u>

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Departmental Expenses (Continued)

Residential Care

	Year Ended December 31	
	2012	2011
Total (carried over)	\$ 5,670,643	\$ 5,582,412
Marketing		
Salaries and wages	111,698	113,235
Payroll taxes and benefits	15,230	18,892
Advertising	48,063	40,816
	<u>174,991</u>	<u>172,943</u>
PBX		
Salaries and wages	138,079	134,650
Payroll taxes and benefits	45,984	31,024
Miscellaneous	629	505
	<u>184,692</u>	<u>166,179</u>
General and administrative		
Salaries - management	546,696	529,519
Payroll taxes and benefits	80,674	90,672
Employee medical claims	848,661	570,013
Contract maintenance	32,398	20,146
Supplies	27,293	23,634
Telephone equipment rental	61,635	59,883
Conferences and meetings	16,826	17,113
Dues and subscriptions	37,491	36,345
Pension plan	78,012	76,518
Insurance - fire and general	168,794	160,315
Investment management fee	21,107	24,831
Legal fees	20,914	7,548
Accounting fees	101,717	109,838
Consulting and professional services	15,140	3,421
Property taxes	9,495	2,585
Software fees	49,840	58,309
Miscellaneous	145,963	88,559
	<u>2,262,656</u>	<u>1,879,249</u>
Fitness center		
Salaries and wages	13,471	5,449
Payroll taxes and benefits	1,635	644
Supplies	1,260	768
Maintenance	225	2,043
	<u>16,591</u>	<u>8,904</u>
Residents' association	<u>61,276</u>	<u>60,344</u>
Total departmental expenses	<u>\$ 8,370,849</u>	<u>\$ 7,870,031</u>

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Medical Center

	Year Ended December 31	
	2012	2011
Income		
Routine services		
Patient supplies	\$ 84,353	\$ 73,963
Prescriptions	601	23,567
Total routine services	84,954	97,530
Residential care fees allocated to routine services	1,324,949	1,309,071
Total income	1,409,903	1,406,601
Departmental expenses (page 35)	3,242,597	3,124,080
Departmental loss	\$ (1,832,694)	\$ (1,717,479)

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Departmental Expenses

Medical Center

	Year Ended December 31	
	2012	2011
Food service		
Salaries and wages	\$ 237,137	\$ 239,669
Food	128,974	129,430
	<u>366,111</u>	<u>369,099</u>
Housekeeping		
Salaries and wages	48,081	50,103
Payroll taxes and benefits	6,388	5,903
Supplies	19,091	19,089
Laundry	42,000	43,209
Miscellaneous	24,117	29,845
	<u>139,677</u>	<u>148,149</u>
General maintenance		
Utilities	81,586	92,699
Repairs and maintenance	156	-
	<u>81,742</u>	<u>92,699</u>
Nursing services		
Salaries and wages	1,396,878	1,386,635
Payroll taxes and benefits	388,768	351,515
Supplies	38,290	32,068
Miscellaneous	4,466	2,964
	<u>1,828,402</u>	<u>1,773,182</u>
General and administrative		
Salaries and wages	153,117	168,690
Payroll taxes and benefits	41,456	43,321
Medical director fee	45,000	35,000
Patient supplies	44,672	37,876
Pharmacy	11,977	40,601
Miscellaneous	87,285	57,826
	<u>383,507</u>	<u>383,314</u>
Clinic		
Salaries and wages	355,880	282,639
Payroll taxes and benefits	60,348	49,784
Pharmacy	4,159	187
Supplies	6,184	7,756
Miscellaneous	16,587	17,271
	<u>443,158</u>	<u>357,637</u>
Total medical center departmental expenses	<u>\$ 3,242,597</u>	<u>\$ 3,124,080</u>

FORM 5-1
LONG-TERM DEBT INCURRED
IN A PRIOR FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	11/30/04	\$23,973	\$25,549		\$49,522
2	12/28/11	\$80,343	\$213,141		\$293,484
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
		TOTAL:		\$238,690	\$0
					\$343,006

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

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

PROVIDER: NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Schedule of Long-Term Debt (Form 5-1)

December 31, 2012

Interest paid during the year

Interest expense per Statement of Activities	\$	284,270
Less interest incurred on annuity obligations and not included on Form 5-1		<u>(45,580)</u>
Total per Form 5-1	\$	<u><u>238,690</u></u>

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$343,006
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)	
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$343,006

PROVIDER: NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC

FORM 5-4

CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$13,926,325
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$284,270
	b. Credit enhancement premiums paid for long-term debt (see instructions)	
	c. Depreciation	\$1,873,288
	d. Amortization	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$190,166
	f. Extraordinary expenses approved by the Department	
3	Total Deductions	\$2,347,724
4	Net Operating Expenses	\$11,578,601
5	Divide Line 4 by 365 and enter the result.	\$31,722
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$2,379,165

PROVIDER: NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC

COMMUNITY: CARMEL VALLEY MANOR

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Schedule of Net Operating Expenses (Form 5-4)

December 31, 2012

Reimbursement for services to non-residents

Reimbursement for services to non-residents consists of the following:

Guest food service (Page 32 of financial statements)	\$ 102,827
Guest rooms (Page 32 of financial statements)	<u>87,339</u>
Total per Form 5-4, Line 2e	<u><u>\$ 190,166</u></u>

Reimbursements for services to non-residents reconcile to the Statement of Activities and Cash Flows as follows:

Total reported on Form 5-4, Line 2e	\$ 190,166
Other resident services and operating income (Page 32 of financial statements)	
Medicare and supplemental insurance	21,978
Physical therapy	50,619
Miscellaneous	<u>89,247</u>
Other services per Statement of Activities	352,010
Net change in accounts receivable for other resident services and other income	<u>6,245</u>
Other services per Statement of Cash Flows	<u><u>\$ 345,765</u></u>

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC

Fiscal Year Ended: 12/31/2012

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2012 and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$343,006</u>
[2] Operating Expense Reserve Amount	<u>\$2,379,165</u>
[3] Total Liquid Reserve Amount:	<u>\$2,722,171</u>

Qualifying assets sufficient to fulfill the above requirements are held as follows:

<u>Qualifying Asset Description</u>	<u>Amount</u> (market value at end of quarter)	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$2,846,474</u>	<u>\$4,208,141</u>
[5] Investment Securities	<u>\$7,180,984</u>	<u>\$7,180,984</u>
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other:		
<u>(describe qualifying asset)</u>		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	<u>\$10,027,458</u> [12]	<u>\$11,389,125</u>
Reserve Obligation Amount: [13]	<u>\$343,006</u> [14]	<u>\$2,379,165</u>
Surplus/(Deficiency): [15]	<u>\$9,684,452</u> [16]	<u>\$9,009,960</u>

Signature:

Roger D. Berglund

(Authorized Representative)

Date: May 30, 2013

(Title)

Chairman, Chief Executive Officer

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Schedule of Qualifying Assets for Liquid Reserves (Form 5-5)

December 31, 2012

Line [4] - Cash and Cash Equivalents

Total cash (Page 2 of the financial statements)	\$ 7,113,239
Less restricted cash and cash equivalents (Page 26 of the financial statements)	
Unitrust	(12,841)
Annuity Trusts	(45,783)
Less sinking fund reported on Form 5-5, line 4 for Debt Service Reserve (Page 28 of the financial statements)	<u>(2,846,474)</u>
Total for Form 5-5, line 4, Operating Reserve (includes \$18,326 designated for use by the Residents' Association)	<u>\$ 4,208,141</u>

Line [5] - Investment Securities

Undesignated	
Vanguard Short Term Federal Fund	\$ 10,769
Managed portfolio of mutual and exchange traded funds	5,238,608
Designated for use by the Residents' Association	
Vanguard Short Term Federal Fund	18,325
Endowment Fund (combination of board designated and donor restricted)	
Managed portfolio of mutual and exchange traded funds	<u>9,094,265</u>
Total for Form 5-5, line 5 (allocate equally to Debt Service and Operating Reserves at \$7,180,984 each)	14,361,967
Designated for use by Sinking Fund	
Certificates of deposit	321,719
Non-qualifying investments	
Undesignated level 3 investments	881,139
Endowment level 3 investments	1,440,000
Unitrust portfolio (Page 26 of the financial statements)	371,464
Annuity Trusts portfolio (Page 26 of the financial statements)	<u>1,912,167</u>
Total investments (Page 2 of the financial statements)	<u>\$ 19,288,456</u>

Mutual funds and exchange traded funds are included in qualifying assets since they are publicly traded and readily liquidated for cash. These various funds hold portfolios that consist of debt and equity securities that may or may not individually meet the definition of qualified assets for reserves as per sections 1771(e)(7) or 1771 (l)(2).

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

05/29/2013

FACILITY NAME: NORTHERN CALIFORNIA RETIREMENT HOMES, INC

ADDRESS: 8545 CARMEL VALLEY ROAD ZIP CODE: 93923 PHONE: 83-1624-1281

PROVIDER NAME: CARMEL VALLEY MANOR FACILITY OPERATOR: SAME

RELATED FACILITIES: NONE RELIGIOUS AFFILIATION: NONE

YEAR OPENED: 1963 NO. OF ACRES: 28+ MULTI-STORY: SINGLE STORY: BOTH:

MILES TO SHOPPING CTR: 5 MILES TO HOSPITAL: 6

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>9</u>	ASSISTED LIVING <u>24</u>
APARTMENTS - 1 BDRM	<u>73</u>	SKILLED NURSING <u>36</u>
APARTMENTS - 2 BDRM	<u>41</u>	SPECIAL CARE <u>NONE</u>
COTTAGES/HOUSES	<u>27</u>	DESCRIBE SPECIAL CARE: <u>N/A</u>
% OCCUPANCY AT YEAR END	<u>100%</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: \$ 103,530 TO \$ 900,000 LONG-TERM CARE INSURANCE REQUIRED? Y N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Skilled Nursing, Assisted Living, Outpatient Medical and Inpatient

ENTRY REQUIREMENTS: MIN. AGE: 65 PRIOR PROFESSION: N/A OTHER: _____

FACILITY SERVICES AND AMENITIES

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

	2009	2010	2011	2012
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	\$9,325,954	\$9,666,716	\$10,213,278	\$10,500,749
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	\$10,759,344	\$10,661,558	\$11,081,801	\$11,768,767
NET INCOME FROM OPERATIONS	<u>-\$1,433,390</u>	<u>-\$994,842</u>	<u>-\$868,523</u>	<u>-\$1,268,018</u>
LESS INTEREST EXPENSE	\$348,349	\$292,015	\$264,928	\$284,270
PLUS CONTRIBUTIONS	\$431,133	\$224,656	\$242,271	\$264,935
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	\$4,070,709	\$2,204,002	-\$388,638	\$1,745,511
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>\$2,720,103</u>	<u>\$1,141,801</u>	<u>-\$1,279,818</u>	<u>\$458,159</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	<u>\$3,391,184</u>	<u>\$5,589,145</u>	<u>\$3,528,924</u>	<u>\$4,676,469</u>

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
1ST CAPITAL BANK	\$4,269,657	4.85	02/05/12	01/05/22	120 MONTHS
A RESIDENT	\$497,889	5.00	11/30/04	01/05/27	265 MONTHS

FINANCIAL RATIOS (see next page for ratio formulas)

	2009 CCAC Medians 50 th Percentile (optional)	2010	2011	2012
DEBT TO ASSET RATIO		8.18%	8.09%	6.72%
OPERATING RATIO		113.34%	111.12%	114.81%
DEBT SERVICE COVERAGE RATIO		16.18%	5.92%	13.95%
DAYS CASH-ON-HAND RATIO		533.52%	499.85%	552.37%

HISTORICAL MONTHLY SERVICE FEES

AVERAGE FEE AND PERCENT CHANGE

	2009	%	2010	%	2011	%	2012
STUDIO	\$2,648	0.0%	\$2,474	0.0%	\$2,850	0.0%	\$2,985
ONE BEDROOM	\$3,234	0.0%	\$3,355	0.0%	\$3,481	0.0%	\$3,646
TWO BEDROOM	\$5,438	0.0%	\$5,642	0.0%	\$5,854	0.0%	\$6,132
COTTAGE/HOUSE	5670	0.0%	\$5,883	0.0%	\$6,104	0.0%	\$6,394
ASSISTED LIVING		0.0%		0.0%		0.0%	
SKILLED NURSING		0.0%		0.0%		0.0%	
SPECIAL CARE		0.0%		0.0%		0.0%	

COMMENTS FROM PROVIDER: NONE

PROVIDER NAME: _____

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	See Schedule	See schedule	See schedule
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.75%	4.75%	4.75%

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: January 1, 2012
 (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: NOTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC
 COMMUNITY: CARMEL VALLEY MANOR

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Schedule of Adjustments in Monthly Fees

December 31, 2012

[1] Monthly fees for each unit type as of January 1, 2012:

Independent living	\$ 2,859	to	\$ 7,368
Hillcrest (personal care)	\$ 2,981	to	\$ 6,594
Skilled nursing facility	\$ 2,443	to	\$ 6,637

[5] In arriving at a 4.75% increase in monthly fees for 2012, the following data and processes were used:

Data used:

- Current year's data through nine months.
- Annualized amounts based upon the actual nine months.
- Guidelines from Budget and Finance Committee of the Board of Directors for average payroll increases of 3%.
- Guidelines from Budget and Finance Committee of the Board of Directors for capital improvements.
- CPI Healthcare San Francisco region.

Processes used:

- Each department projected costs for the year, which included salaries.
- Budgets reviewed and analyzed by President/CEO and Controller.
- Revisions made and resubmitted.

Final product submitted to Budget and Finance Committee of the Board of Directors for approval. Once the Budget and Finance Committee approves the budget, it is submitted to the Board of Directors for approval. Current budget reflects the approved amounts and the increases for the monthly fees.

NORTHERN CALIFORNIA CONGREGATIONAL RETIREMENT HOMES, INC.

Refund Reserve Requirement

December 31, 2012

A Refund Reserve is not applicable because there are no contracts that are refundable for the seventh year of residency and thereafter.



Accountants and
business advisers

Independent Auditor's Report

RECEIVED
MAY 31 2013

CONTINUING CARE
CONTRACTS BRANCH

Board of Directors
Northern California Congregational
Retirement Homes, Inc.
Carmel, California

We have audited the accompanying State of California Department of Social Services Continuing Care Contract Program Continuing Care Reserve Report (Reports) of Northern California Congregational Retirement Homes, Inc. as of December 31, 2012.

Management's Responsibility for the Continuing Care Reserve Report (Reports)

Management is responsible for the preparation and fair presentation of the Reports in accordance with the report preparation provisions of the 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 Reports that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Reports 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 Reports are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Reports. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Reports, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Reports 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 entity'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 Reports.

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

Opinion

In our opinion, the Reports presents fairly, in all material respects, the liquid reserve requirements of Northern California Congregational Retirement Homes, Inc. at December 31, 2012, in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

Independent Auditor's Report (Continued)

Emphasis of Matter

The Reports were prepared for the purpose of complying with California Health and Safety code section 1972 and are not intended to be a complete presentation of the Company's assets, liabilities, revenues and expenses.

Restriction on Use

This report is intended solely for the information and use of the board of directors and management of Northern California Congregational Retirement homes, Inc. and for the filing with the State of 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.

PKF

Certified Public Accountants
A Professional Corporation

May 28, 2013

Worksheet for KIR for 2012

Carmel Valley Manor

Date Prepared: 5/29/2013

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

OPERATIONAL STATISTICS

1. Average Annual Occupancy by Site (%)

MARGIN (PROFITABILITY) INDICATORS

2. Net Operating Margin (%)

3. Net Operating Margin - Adjusted (%)

LIQUIDITY INDICATORS

4. Unrestricted Cash and Investments (\$000)

5. Days Cash on Hand (Unrestricted)

CAPITAL STRUCTURE INDICATORS

6. Deferred Revenue from Entrance Fees (\$000)

7. Net Annual E/F proceeds (\$000)

8. Unrestricted Net Assets (\$000)

9. Annual Capital Asset Expenditure (\$000)

10. Annual Debt Service Coverage
Revenue Basis (x)

11. Annual Debt Service Coverage (x)

12. Annual Debt Service/Revenue (%)

13. Average Annual Effective Interest Rate (%)

14. Unrestricted Cash & Investments/
Long-Term Debt (%)

15. Average Age of Facility (years)

	Projected						Forecast			Preferred	
	2008	2009	2010	2011	2012	2013	2014	2015	2016		2017
1. Average Annual Occupancy by Site (%)	95.00%	95.00%	95.30%	96.00%	96.00%	94.00%	95.00%	95.00%	95.00%	95.00%	N/A
2. Net Operating Margin (%)	-22.09%	-15.36%	-10.29%	-8.50%	-8.50%	-12.08%	-7.50%	-7.00%	-6.50%	-6.00%	↑
3. Net Operating Margin - Adjusted (%)	9.92%	18.61%	30.12%	19.36%	19.36%	22.46%	20.00%	20.00%	20.00%	20.00%	↓
4. Unrestricted Cash and Investments (\$000)	\$12,500	\$14,001	\$16,295	\$15,884	\$15,884	\$18,288	\$15,024	\$15,575	\$15,527	\$15,530	↑
5. Days Cash on Hand (Unrestricted)	405	477.11	558	523	523	567	520	520	520	520	↑
6. Deferred Revenue from Entrance Fees (\$000)	\$3,645	\$3,775	\$3,471	\$2,955	\$2,955	\$3,876	\$4,070	\$4,273	\$4,487	\$4,711	N/A
7. Net Annual E/F proceeds (\$000)	\$2,675	\$2,905	\$5,589	\$3,529	\$3,529	\$4,676	\$4,910	\$5,155	\$5,413	\$5,684	N/A
8. Unrestricted Net Assets (\$000)	\$16,001	\$15,985	\$16,756	\$17,169	\$17,169	\$19,377	\$20,346	\$21,363	\$22,431	\$23,553	N/A
9. Annual Capital Asset Expenditure (\$000)	\$1,385	\$2,100	\$2,403	\$2,669	\$2,669	\$2,448	\$2,570	\$2,699	\$2,834	\$2,976	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	0.40%	5.75%	3.30%	-20.49%	-20.49%	2.16%	5.45%	5.91%	5.76%	5.80%	↑
11. Annual Debt Service Coverage (x)	8	7.66	11.3	39.17	39.17	13.46	7.75	8	8.3	8.5	↑
12. Annual Debt Service/Revenue (%)	7.10%	6.50%	3.93%	0.48%	0.48%	2.99%	5.00%	5.20%	4.95%	4.90%	↓
13. Average Annual Effective Interest Rate (%)	8.78%	8.82%	5.68%	0.55%	0.55%	4.88%	7.50%	7.51%	7.49%	7.13%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	24568	297.6	336.92	333.16	333.16	438.19	297.4	296.8	311	312	↑
15. Average Age of Facility (years)	9.12	9.11	11.75	12.06	12.06	11.68	12.40	12.60	12.80	13.00	↓

Chief Executive Officer Signature: *Roger D. Baker*

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MAY 31 2013
CONTRACTOR ARCH

KEY INDICATORS REPORT

MENNONITE BRETHERN HOMES, INC. D/B/A PALM VILLAGE RETIREMENT COMMUNITY

Date Prepared: May 28, 2013


Chief Executive Officer Signature

OPERATIONAL STATISTICS

1. Average Annual Occupancy by Site (%)

	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Projected 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017
1. Average Annual Occupancy by Site (%)	93.8%	91.1%	94.8%	96.0%	95.9%	95.9%	95.9%	95.9%	95.9%	95.9%

MARGIN (PROFITABILITY) INDICATORS

2. Net Operating Margin (%)

2. Net Operating Margin (%)	1.9%	6.5%	6.4%	7.5%	3.1%	3.8%	4.2%	4.5%	4.8%	5.2%
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3. Net Operating Margin - Adjusted (%)

3. Net Operating Margin - Adjusted (%)	9.5%	13.7%	11.5%	11.2%	8.5%	6.5%	6.9%	7.2%	7.6%	7.9%
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LIQUIDITY INDICATORS

4. Unrestricted Cash and Investments (\$000)

4. Unrestricted Cash and Investments (\$000)	2,799	3,695	3,898	4,218	4,385	4,356	4,258	4,308	4,534	4,818
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5. Days Cash on Hand (Unrestricted)

5. Days Cash on Hand (Unrestricted)	86.9	113.4	116.9	131.7	127.7	126.9	122.3	122.2	127.4	134.2
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CAPITAL STRUCTURE INDICATORS

6. Deferred Revenue from Entrance Fees (\$000)

6. Deferred Revenue from Entrance Fees (\$000)	3,730	4,052	4,219	4,038	4,012	3,858	3,705	3,555	3,408	3,262
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7. Net Annual E/F proceeds (\$000)

7. Net Annual E/F proceeds (\$000)	949	1,003	720	522	753	370	377	385	393	400
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8. Unrestricted Net Assets (\$000)

8. Unrestricted Net Assets (\$000)	1,144	1,758	2,427	3,549	4,142	4,450	4,754	5,054	5,426	5,850
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9. Annual Capital Asset Expenditure (\$000)

9. Annual Capital Asset Expenditure (\$000)	352	351	236	538	403	297	306	315	325	334
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10. Annual Debt Service Coverage Revenue Basis (x)

10. Annual Debt Service Coverage Revenue Basis (x)	1.16	0.84	0.82	1.28	0.97	0.89	0.81	0.87	1.08	1.16
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11. Annual Debt Service Coverage (x)

11. Annual Debt Service Coverage (x)	2.04	1.62	1.39	1.85	2.08	1.32	1.23	1.31	1.58	1.67
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12. Average Annual Effective Interest Rate (%)

12. Average Annual Effective Interest Rate (%)	8.3%	9.9%	9.5%	6.8%	4.9%	6.4%	6.6%	6.5%	5.7%	5.6%
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13. Unrestricted Cash & Investments/Long-Term Debt (%)

13. Unrestricted Cash & Investments/Long-Term Debt (%)	5.3%	5.7%	4.4%	1.5%	1.3%	3.0%	4.1%	4.9%	4.9%	5.0%
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14. Average Age of Facility (years)

14. Average Age of Facility (years)	24.3%	34.3%	41.3%	48.5%	54.1%	56.4%	57.0%	62.6%	71.0%	82.2%
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15. Average Age of Facility (years)

15. Average Age of Facility (years)	13.7	13.2	14.5	16.3	15.6	16.4	16.8	17.2	17.5	17.8
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R E C E I V E D
MAY 31 2013

CONTINUING CARE
CONTRACTS BRANCH

Worksheet for KIR for 2012

OPERATIONAL STATISTICS

1. Average Annual Occupancy by Site (%)

Use actual occupied units not units sold (which is 100%)
as of 12/31 - 140, total units available 148

MARGIN (PROFITABILITY) INDICATORS

2. Net Operating Margin (%)

I A	Ttl Inc from Operations	14,376,405	
I B	Less - Entrance Fees	(3,875,656)	
	(Should tie to DS G)		10,500,749
	Total Expenses	(13,926,325)	
I C	Add back Interest	284,270	
I D	Add back Depreciation	1,873,288	
	Should tie to DS H)		(11,768,767)
			(1,268,018)
			-12.08%

3. Net Operating Margin - Adjusted (%)

I A	Ttl Inc from Operations	14,376,405	
I B	Less - Entrance Fees	(3,875,656)	
DS F	Plus - Net Entrance Fee Collected	4,676,469	
			15,177,218
	Total Expenses	(13,926,325)	
I C	Add back Interest	284,270	
I D	Add back Depreciation	1,873,288	
	Should tie to DS H)		(11,768,767)
			3,408,451
			22.46%

LIQUIDITY INDICATORS

4. Unrestricted Cash and Investments (\$000)

II O	Total Unrestricted Cash	7,187,871	
II P	Total Unrestricted Investments	11,100,516	
			18,288,387

5. Days Cash on Hand (Unrestricted)

Line 44	Unrestricted Cash and Investments	18,288,387
Line 34	Total Operating Expenses	11,768,767
	Total Expenses - Line 33 / by 365	32,243
	Days Cash - Line 48 / Line 52	567

Worksheet for KIR for 2012

CAPITAL STRUCTURE INDICATORS

6. Deferred Revenue from Entrance Fees (\$000)

I B	Entrance Fees Income		3,875,656
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7. Net Annual E/F proceeds (\$000)

DS F	Plus - Net Entrance Fee Collected		4,676,469
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8. Unrestricted Net Assets (\$000)

II J	Unrestricted Net Assets		19,377,288
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9. Annual Capital Asset Expenditure (\$000)

III K	Capital Expenditures		2,447,882
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10. Annual Debt Service Coverage

Revenue Basis (x)

I L	Total Excess of Rev over Exp	2,460,526	
I C	Add back Interest	284,270	
I D	Add back Depreciation	1,873,288	
I B	Deduct Entrance Fees Income	(3,875,656)	
			742,428

VIII M	Annual Debt Service		343,006
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	Line 80 / Line 82		2.16
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11. Annual Debt Service Coverage (x)

I L	Total Excess of Rev over Exp	2,460,526	
I C	Add back Interest	284,270	
I D	Add back Depreciation	1,873,288	
			4,618,084

VIII M	Annual Debt Service		343,006
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	Line 91 / Line 93		13.46
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12. Annual Debt Service/Revenue (%)

VIII M	Annual Debt Service		343,006
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DS G	Operating Revenue	10,119,822	
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III Q	Net Assets Released from Restriction	332,301	
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I R	Contributions	234,779	
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I S	Gain (Loss) on Sale of Investment	798,318	
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			11,485,220
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	Line 99 / Line 105		2.99%
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Worksheet for KIR for 2012

13. Average Annual Effective Interest Rate (%)

VIII V	Annual Debt Service		238,690
II T	Long Term debt	4,173,633	
II U	Current Portion of Long Term Deb	593,913	
VIII W	Current Year Principal Paid	124,316	
			4,891,862
	Line 111 / Line 116		4.88%

14. Unrestricted Cash & Investments/ Long-Term Debt (%)

II O	Total Unrestricted Cash	7,187,871	
II P	Total Unrestricted Investments	11,100,516	
			18,288,387
II T	Long Term debt		4,173,633
	Line 125 / Line 127		438.19%

15. Average Age of Facility (years)

PCC Rpt	Accumulated Depreciation		21,883,097
I W	Depreciation Expense		1,873,288
	Line 133 / Line 135		11.68