ANNUAL REPORT CHECKLIST

for

FISCAL YEAR ENDED:
December 31, 2012

PROVIDER: Northern California Presbyterian Homes & Services, Inc.

FACILITY(IES): Sequoias – San Francisco, Sequoias – Portola Valley, and Tamalpais

CONTACT PERSON: Eric Larra, Controller

TELEPHONE NO.: (415) 202-7810 **EMAIL:** elarra@ncphs.org

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Your complete annual report must consist of ***3 copies*** of all of the following:

✓ This cover sheet.

✓ Annual Provider Fee in the amount of: $ 58,683

✓ If applicable, late fee in the amount of: $__________

✓ Certification by the provider's chief *executive* officer that:
- ✓ The reports are correct to the best of his/her knowledge.
- ✓ Each continuing care contract form in use or offered to new residents has been approved by the Department.
- ✓ The provider is maintaining the required *liquid reserve* and refund reserve, if applicable.

✓ Evidence of the provider's fidelity bond.

✓ The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.

✓ The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.

✓ The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community. (3 copies total)

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report. (3 copies total)

Northern California Presbyterian Homes & Services, Inc.

Continuing Care Contract Annual Report
For the Year Ended December 31, 2012

Part 1

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	313
[2]	Number at end of fiscal year	316
[3]	Total Lines 1 and 2	629
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	314.5
	All Residents	
[6]	Number at beginning of fiscal year	313
[7]	Number at end of fiscal year	316
[8]	Total Lines 6 and 7	629
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	314.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	1.00

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$23,955,940
[a]	Depreciation	$3,110,204	
[b]	Debt Service (Interest Only)	$891,222	
[2]	Subtotal (add Line 1a and 1b)		$4,001,426
[3]	Subtract Line 2 from Line 1 and enter result.		$19,954,514
[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)		$19,954,514
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$19,955

PROVIDER: Northern California Presbyterian Homes & Services, Inc.
COMMUNIT Sequoias - San Francisco

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	301
[2]	Number at end of fiscal year	296
[3]	Total Lines 1 and 2	597
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	298.5
	All Residents	
[6]	Number at beginning of fiscal year	301
[7]	Number at end of fiscal year	296
[8]	Total Lines 6 and 7	597
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	298.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	1.00

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$22,308,546
[a]	Depreciation	$2,243,677	
[b]	Debt Service (Interest Only)	$635,100	
[2]	Subtotal (add Line 1a and 1b)		$2,878,777
[3]	Subtract Line 2 from Line 1 and enter result.		$19,429,769
[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)		$19,429,769
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$19,430

PROVIDEI Northern California Presbyterian Homes & Services, Inc.
COMMUN Sequoias - Portola Valley

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	315
[2]	Number at end of fiscal year	305
[3]	Total Lines 1 and 2	620
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	310
	All Residents	
[6]	Number at beginning of fiscal year	315
[7]	Number at end of fiscal year	305
[8]	Total Lines 6 and 7	620
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	310
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	1.00

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$21,578,406
[a]	Depreciation	$1,758,787	
[b]	Debt Service (Interest Only)	$521,556	
[2]	Subtotal (add Line 1a and 1b)		$2,280,343
[3]	Subtract Line 2 from Line 1 and enter result.		$19,298,063
[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)		$19,298,063
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$19,298

PROVIDER: Northern California Presbyterian Homes & Services, Inc.
COMMUNITY: Tamalpais

Part 2

NORTHERN CALIFORNIA PRESBYTERIAN HOMES & SERVICES, INC.
CERTIFICATION BY CHIEF EXECUTIVE OFFICER

December 31, 2012

I hereby certify to the best of my knowledge and belief that:

1. The information included within this annual report is correct.

2. Each continuing care contract form now in use for new residents has been approved by the Department.

3. As of the date of this certification NCPHS is maintaining the required liquid reserve and refund reserve.

Barbara E. Hood

Barbara E. Hood

President & CEO
Title

4/29/2013
Date

Part 3

NORTHERN CALIFORNIA PRESBYTERIAN HOMES & SERVICES, INC.
EVIDENCE OF FIDELITY BOND

December 31, 2012

Type:	Employee Fidelity
Coverage:	$1,500,000
Carrier:	Executive Risk Indemnity, Inc.

Northern California Presbyterian Homes and Services, Inc.

Consolidated Financial Statements
Years Ended December 31, 2012 and 2011

Northern California Presbyterian Homes and Services, Inc.
Index
December 31, 2012 and 2011

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Independent Auditor's Report

To Board of Directors
Northern California Presbyterian Homes and Services, Inc.

We have audited the accompanying consolidated financial statements of Northern California Presbyterian Homes and Services, Inc. ("NCPHS") and related entities, which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of revenues, expenses and other changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated 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 Company'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of NCPHS and related entities at December 31, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

April 30, 2013

PricewaterhouseCoopers LLP, Three Embarcadero Center, San Francisco, CA 94111-4004
T: (415) 498 5000, F: (415) 498 7100, www.pwc.com/us

Northern California Presbyterian Homes and Services, Inc.
Consolidated Balance Sheets
December 31, 2012 and 2011
(dollars in thousands)

	2012 NCPHS	2012 SSNC	2012 Consolidated	2011 Consolidated
Assets				
Current assets				
Cash and cash equivalents	$ 2,378	$ 479	$ 2,857	$ 2,610
Marketable securities	51,328	18,371	69,699	61,288
Accounts, notes and interest receivable	3,245	6	3,251	4,920
Pledges receivable, net of allowance	-	25	25	16
Limited use assets	1,659	-	1,659	1,590
Prepaid expenses and other assets	1,144	-	1,144	1,071
Total current assets	59,754	18,881	78,635	71,495
Investments contractually limited for replacement reserves on properties financed by the U.S. Department of Housing and Urban Development, less current portion	1,999	-	1,999	2,921
Investments held in trust	-	11,363	11,363	10,866
Trust contributions receivable	-	529	529	874
Pledges receivable, net of allowance, less current portion	-	550	550	563
Deferred charges and other assets	876	-	876	923
Facilities, net of accumulated depreciation	125,416	-	125,416	122,414
	128,291	12,442	140,733	138,561
Total assets	$ 188,045	$ 31,323	$ 219,368	$ 210,056
Liabilities and Net Assets				
Current liabilities				
Accounts payable	$ 5,309	$ 212	$ 5,521	$ 5,731
Payroll and related taxes payable	5,024	-	5,024	5,803
Line of credit - unsecured	2,000	-	2,000	2,000
Current portion of long term debt	3,581	-	3,581	2,357
Accrued interest payable	536	-	536	576
Refundable deposits	811	-	811	781
Entrance fees paid in advance	1,961	-	1,961	547
Total current liabilities	19,222	212	19,434	17,795
Long term debt, less current portion	55,286	-	55,286	58,856
Liability on refundable contracts	10,845	-	10,845	5,592
Liability for payments to trust beneficiaries	-	5,349	5,349	5,257
Pension liability	18,734	-	18,734	18,962
Unamortized entrance fees	101,723	-	101,723	100,879
Other long-term liabilities	9,079	721	9,800	10,019
	195,667	6,070	201,737	199,565
Total liabilities	214,889	6,282	221,171	217,360
Net assets				
Unrestricted net assets (deficit)	(26,844)	5,548	(21,296)	(25,550)
Temporarily restricted net assets	-	12,574	12,574	11,516
Permanently restricted net assets	-	6,919	6,919	6,730
Total net assets (deficit)	(26,844)	25,041	(1,803)	(7,304)
Total liabilities and net assets	$ 188,045	$ 31,323	$ 219,368	$ 210,056

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

Northern California Presbyterian Homes and Services, Inc.
Consolidated Statements of Revenues, Expenses and Other Changes in Unrestricted Net Assets
Years Ended December 31, 2012 and 2011
(dollars in thousands)

	2012 NCPHS	2012 SSNC	2012 Consolidated	2011 Consolidated
Operating revenues and support				
Revenues				
Resident fees	$ 50,868	$ -	$ 50,868	$ 49,880
Amortization of entrance fees	14,437	-	14,437	12,699
Fees for services and other income	12,009	-	12,009	12,037
Investment income including realized gains and losses on investments	2,412	317	2,729	1,315
Gain (loss) on interest rate swap	155	-	155	(536)
	79,881	317	80,198	75,395
Support				
Contributions	42	141	183	807
Net assets released from restrictions	12	2,278	2,290	1,361
Total operating revenues and support	79,935	2,736	82,671	77,563
Expenses				
Program expenses				
Housing				
Program	18,028	-	18,028	18,075
Interest expense	2,293	-	2,293	2,399
Depreciation	8,202	-	8,202	8,209
Food service	12,619	-	12,619	12,110
Health care	18,345	-	18,345	18,225
Other program services	15,074	-	15,074	14,387
	74,561	-	74,561	73,405
Program support expense				
Administration	7,342	-	7,342	6,670
Depreciation	344	-	344	422
	7,686	-	7,686	7,092
Total expenses	82,247	-	82,247	80,497
Change in unrestricted net assets from operations	(2,312)	2,736	424	(2,934)
Other changes				
Unrealized gains (losses) on investments	3,359	145	3,504	(2,148)
Grants transferred for programs and facilities	2,080	(2,080)	-	(9)
Change in additional minimum pension liability	304	-	304	(11,288)
Other	22	-	22	44
Increase (decrease) in unrestricted net assets	3,453	801	4,254	(16,335)
Unrestricted net assets (deficit) at beginning of year	(30,297)	4,747	(25,550)	(9,215)
Unrestricted net assets (deficit) at end of year	$ (26,844)	$ 5,548	$ (21,296)	$ (25,550)

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

Northern California Presbyterian Homes and Services, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2012 and 2011
(dollars in thousands)

	2012			2011
	NCPHS	SSNC	Consolidated	Consolidated
Unrestricted net assets				
Change in unrestricted net assets from operations	$ (2,312)	$ 2,736	$ 424	$ (2,934)
Unrealized gains (losses) on investments	3,359	145	3,504	(2,148)
Grants used for programs and facilities	2,080	(2,080)	-	(9)
Change in minimum pension liability	304	-	304	(11,288)
Other	22	-	22	44
Increase (decrease) in unrestricted net assets	3,453	801	4,254	(16,335)
Temporarily restricted net assets				
Contributions	-	1,293	1,293	946
Investment income	-	746	746	480
Change in value of split-interest agreements	-	944	944	(247)
Unrealized gain (losses) from investments	-	365	365	(342)
Net assets released from restrictions	(12)	(2,278)	(2,290)	(1,361)
Increase (decrease) in temporarily restricted net assets	(12)	1,070	1,058	(524)
Permanently restricted assets				
Contributions	-	126	126	82
Change in value of split-interest agreements	-	63	63	(2)
Increase in permanently restricted net assets	-	189	189	80
Increase (decrease) in net assets	3,441	2,060	5,501	(16,779)
Net assets (deficit) at beginning of year	(30,285)	22,981	(7,304)	9,475
Net assets (deficit) at end of year	$ (26,844)	$ 25,041	$ (1,803)	$ (7,304)

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

Northern California Presbyterian Homes and Services, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011
(dollars in thousands)

	2012			2011
	NCPHS	SSNC	Consolidated	Consolidated
Cash flows from operating activities				
Cash received from entrance fees	$ 19,576	$ -	$ 19,576	$ 15,393
Cash received from resident fees	51,312	-	51,312	50,471
Cash received from services and other income	11,838	-	11,838	11,979
Cash received from contributions	158	1,800	1,958	2,267
Cash paid for grants and support	1,964	(1,964)	-	-
Investment income	973	542	1,515	1,624
Interest paid	(2,291)	-	(2,291)	(2,427)
Cash paid to employees and suppliers	(73,092)	-	(73,092)	(67,636)
Cash provided by operating activities	10,438	378	10,816	11,671
Cash flows from investing activities				
Proceeds from sale and maturities of investments	13,113	5,179	18,292	20,545
Purchase of investments	(13,109)	(7,191)	(20,300)	(24,047)
Purchase of property and equipment	(11,051)	-	(11,051)	(11,189)
Cash used in investing activities	(11,047)	(2,012)	(13,059)	(14,691)
Cash flows from financing activities				
Payment of long term debt	(2,346)	-	(2,346)	(2,550)
Payment of line of credit	(2,000)	-	(2,000)	(35)
Proceeds from line of credit	2,000	-	2,000	2,000
Proceeds from endowment contributions	-	126	126	396
Proceeds from contributions held in trust	-	1,480	1,480	463
Payments to trust beneficiaries	-	(678)	(678)	(713)
Proceeds from refundable deposits	30	-	30	6
Proceeds from refundable entrance fees	4,808	-	4,808	2,368
Refunds of entrance fees paid	(1,217)	-	(1,217)	(784)
Investment income from marketable securities held in trust	-	287	287	314
Cash provided by financing activities	1,275	1,215	2,490	1,465
Net increase (decrease) in cash and cash equivalents	666	(419)	247	(1,555)
Beginning of year	1,712	898	2,610	4,165
End of year	$ 2,378	$ 479	$ 2,857	$ 2,610

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

Northern California Presbyterian Homes and Services, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011
(dollars in thousands)

	2012			2011
	NCPHS	SSNC	Consolidated	Consolidated
Reconciliation of change in net assets to cash from operating activities				
Change in net assets	$ 3,441	$ 2,060	$ 5,501	$ (16,779)
Adjustments to reconcile change in net assets to cash provided by operating activities				
Amortization of entrance fees	(14,437)	-	(14,437)	(12,699)
Depreciation	8,546	-	8,546	8,631
Amortization of prepaid rent	4	-	4	4
Loss (gain) on interest rate swap	(155)	-	(155)	536
Unrealized and realized loss (gain) on investments	(4,798)	(1,031)	(5,829)	2,319
Change in additional minimum pension liability	(304)	-	(304)	11,288
Contribution revenue from endowment gifts	-	(126)	(126)	(82)
Change in value of split interest agreements	-	(630)	(630)	898
Accretion of conditional asset retirement obligation	367	-	367	1,802
Contribution of assets	-	(15)	(15)	(128)
Change in operating assets and liabilities				
Changes in receivables, other assets, payables and other accruals	(1,802)	116	(1,686)	279
Change in pledges receivable	-	4	4	8
Entrance fees received	19,576	-	19,576	15,594
Cash provided by operating activities	$ 10,438	$ 378	$ 10,816	$ 11,671
Non cash transactions				
Fixed asset additions included in accounts payable	$ 498	$ -	$ 498	$ 522

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

1. Corporate Purpose and Structure

Corporate Purpose

Northern California Presbyterian Homes and Services, Inc. ("NCPHS"), based on our historic mission, provides for the well-being of older persons who are in need of housing, healthcare, food, wellness and other related programs and services through the following communities and programs:

- Three continuing care retirement communities which provide housing, health care, and other services to approximately 1,000 residents. Confidential financial support is also provided to residents who outlive their financial resources.
- Three residential housing communities which receive federal support, provide to approximately 600 residents with low and moderate income affordable housing, food and a wellness program for those who elect to be covered.
- An assisted living community providing comprehensive personal and domestic care with 24-hour supervision to 24 residents in an underserved area.
- A portfolio of Community Services programs that promote the health and wellbeing of low-income seniors who live independently and in senior communities.

Corporate Structure

NCPHS is a nonprofit corporation principally organized to provide facilities and other means of care for elderly persons. Board membership consists only of those elected as Directors and only during their period of service as such Directors. The Board of Directors governs the operations of NCPHS.

NCPHS presently operates continuing care facilities for the care of elderly persons at three locations: the Sequoias-San Francisco ("Sequoias-SF"), the Sequoias-Portola Valley ("Sequoias-PV") and the Tamalpais-Ross Valley Homes ("RVH"). It also operates residential housing facilities for elderly persons at five locations: Western Park Apartments ("WPA"), Eastern Park Apartments ("EPA"), Town Park Towers ("TPT"), Park Sunset Apartments ("PSA") and the Woods. All facilities are located in Northern California.

NCPHS owns and operates Sequoias-SF and Sequoias-PV. NCPHS is affiliated with RVH in Greenbrae, Marin County, California, and is the sole corporate member of RVH. For financial reporting purposes, RVH's balance sheet, operations and cash flows are consolidated with NCPHS.

NCPHS owns and operates EPA, WPA, and TPT, which are low-to-moderate income rental housing facilities operated in accordance with the provisions of Sections 236 and 202 of the National Housing Act. During 2012, these facilities received approximately 75% (EPA), 44% (WPA), and 65% (TPT) of their rental revenue from the U.S. Department of Housing and Urban Development ("HUD"). During 2011, these facilities received approximately 74% (EPA), 44% (WPA), and 65% (TPT) of their rental revenue from HUD.

NCPHS also owns the Woods, a manufactured home park for seniors located on 37 acres near Mendocino, California. The Woods has 109 home sites and a 24-unit Assisted Living facility.

Senior Services for Northern California ("SSNC") was established in 1987 by the Board of Directors of NCPHS as a supporting organization of NCPHS and received its tax-exempt status as a charitable organization in 1989. Trustees of SSNC are charged with receiving, disbursing and accounting for all current gifts, deferred gift-investments and bequests of money and property given for the benefit of NCPHS, its programs, facilities, managed properties, and community outreach.

NCPHS is exempt from income and franchise taxes under Sections 501(c)(3) and 23701(d) of the respective federal and state revenue codes.

In January 2008, NCPHS formed a for profit company, NCP Senior Ventures, LLC, a California limited liability company ("NSV"). NCPHS, as its sole member, signed an operating agreement with NSV on the same date. The purpose of NSV is to engage in the business of the acquisition, investment, development, ownership, management, operation and sale of real estate. For financial reporting purposes, NSV's balance sheet, statement of operations and cash flows are consolidated with NCPHS.

On October 1, 2009, NSV began managing Kokoro Assisted Living, a 54-unit residential housing facility located in San Francisco, California.

As of January 2011, NCPHS affiliated with San Francisco Senior Center (SFSC), a not-for-profit corporation that operates two senior centers in San Francisco and delivers services to help seniors stay engaged in the community.

In April 2011, a new corporation, NCPHS Community Services (NCS) was created as a wholly owned subsidiary of NCPHS to administer the community services programs of both SFSC and NCPHS. SFSC became NCS's subsidiary. For financial reporting purposes, NCS and SFSC's balance sheet, statements of revenues, expenses, changes in net assets, and statements of cash flows are consolidated with NCPHS.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include NCPHS (including RVH, NSV, NCS and SFSC) and SSNC. All significant inter-entity amounts have been eliminated in consolidation. SSNC prepares separate stand-alone financial statements in conformity with accounting principles generally accepted in the United States of America. For purposes of presentation of SSNC's balance sheet, statements of revenues, expenses and other changes in unrestricted net assets and changes in net assets, and statement of cash flows in these consolidated financial statements, conforming reclassifications have been made to SSNC's revenue and expenses and inter-entity receivables and payables consistent with categories in the consolidated financial statements.

All operating, administrative and fund raising expenses including employees assigned to SSNC activities are incurred by NCPHS on behalf of SSNC. NCPHS estimates that the cost of the services provided to SSNC was approximately $790 and $729 in 2012 and 2011, respectively.

Certain statement of cash flows amounts for 2011 have been revised to correct an error in classification. NCPHS revised the 2011 statement of cash flows to properly exclude realized (gains) and losses from operating cash flows and to properly include such amounts as proceeds from sale and maturities of investments in investing activities. Management revised such amounts by decreasing the previously reported cash from operating activities by $2,034 and increasing the previously reported cash from investing activities by $2,034. This revision had no effect on the financial position of NCPHS at December 31, 2011, the consolidated statement of revenues, expenses and other changes in unrestricted net assets, the consolidated statement of changes in net assets, and the net change in cash within the consolidated statement of cash flows of NCPHS for the year ended December 31, 2011.

These consolidated financial statements reflect accounting principles prescribed for not-for-profit and healthcare organizations. Under these principles, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets
Net assets that are not subject to donor-imposed restrictions are classified as unrestricted. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or otherwise limited by contractual arrangements with outside parties.

Temporarily Restricted Net Assets
Net assets that are subject to donor-imposed restrictions which can be fulfilled either by actions of SSNC or NCPHS pursuant to those restrictions and/or that expire by the passage of time. The majority of the SSNC's temporarily restricted net assets consist of charitable remainder trusts and other life income funds.

Permanently restricted Net Assets
Net assets that are subject to donor-imposed restrictions which require that they be maintained permanently by SSNC. Generally, the donors of these assets permit SSNC to use all or part of the income earned on related investments for general or specific purposes. Such assets consist primarily of SSNC's permanent endowment funds and its interest in permanently restricted marketable securities held in trust.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled, and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Fair Value of Financial Instruments
The Financial Accounting Standards Board ("FASB") Statement on fair value measurements establishes a framework for measuring fair value in conformity with generally accepted accounting principles and expands disclosures about fair value measurements. This authoritative guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, this authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- *Level 1* – Observable inputs such as quoted prices in active markets;
- *Level 2* – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- *Level 3* – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in this authoritative guidance. The three valuation techniques are as follows:

- *Market approach* – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- *Income approach* – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

(dollars in thousands)

The carrying values reported on the balance sheet for current assets and liabilities approximate fair value. Investments, investments held in trust, trust contribution receivables, and interest rate swaps are carried at fair value. See Note 10 for fair value of the NCPHS' financial assets and liabilities.

Cash and Cash Equivalents
Cash equivalents include money market funds purchased with a maturity, at purchase date, of three months or less, with the exception of cash and cash equivalents held as investments or whose use is limited or designated.

Marketable Securities and Investments Held in Trust
Equity and debt securities are carried at fair value with realized and unrealized gains and losses included in the statement of revenues, expenses and other changes in unrestricted net assets and the statement of changes in net assets. Realized gains or losses represent the difference between cost, on a first-in first-out basis, and the related market price at the sale date. A decline in the fair value of an investment in equity and debt securities that is other than temporary is accounted for as a realized loss, whereby the cost basis of the security is written down to fair value. Cash and cash equivalents, which consist of deposits and money market funds are carried at cost, which approximates fair value because of the short-term nature of these investments.

Facilities
Property and equipment are recorded at cost. Depreciation is computed on the straight-line method using the following composite rates:

Buildings	2 %
Building equipment	5 %
Equipment, furniture and furnishings	10 %
Building and land improvement	10 %
Motor vehicles	25 %
Office equipment	20 %
Computer equipment	20 %

Interest costs incurred on borrowed funds during the period of construction of qualifying capital assets are capitalized as a component of the cost of acquiring these assets. Repairs and maintenance expenditures are expensed as incurred.

Several of the buildings owned and operated by NCPHS contain asbestos for which NCPHS will incur additional expense to remove when those buildings are retired or when renovations are undertaken in an area of the buildings that contains such material. Certain of these costs are not expected to be incurred until the building itself is retired as the material is in areas that will not be impacted by renovation activity. The cost to remove materials in areas of the buildings that will be impacted by renovation activity is estimated to be incurred over the next 40 years.

Asset retirement obligations are estimated at fair value based upon discounted cash flows using the probability- weighted future cash flows for the associated retirement costs and a credit-adjusted risk free discount rate. Asset retirement obligations recorded are subject to various assumptions and determinations, such as determining whether an obligation exists to remove assets, estimating the fair value of the costs of removal and estimating when final removal will occur. Changes that may arise over time with regard to these assumptions and determinations will change such amounts recorded for asset retirement obligations. Starting in 2011 NCPHS started removing materials in apartments as they became available for new residents. NCPHS has continued to do so in 2012 and will continue to do so as apartments become available in future years. During 2012 Sequoias-San Francisco converted ten independent living units to assisted living units. During construction, NCPHS removed materials from apartments and some structural areas of the building. These changes resulted in a revision to the asset retirement obligation estimate. Asset retirement obligations are included in other long-term liabilities (See Note 4).

(dollars in thousands)

Investments Held in Trust and Liability for Payments to Trust Beneficiaries
Investments held in trust represent charitable remainder trusts and other deferred funds in which the donor, or stated beneficiary, has a life interest in the trust income and for which SSNC is trustee and remainderman. Trust assets are carried at fair value remeasured on a recurring basis and the related liability for beneficiary payments is estimated each year on a nonrecurring basis. See footnote 10 for the basis of fair value.

Pledges Receivable
Pledges receivable are recorded at fair value and consist of unconditional promises to give that are expected to be collected in future years. Such receivables are recognized at fair value based on the present value of their estimated cash flows. The discounts on these amounts are computed using rates applicable in the years in which those promises are received. Pledges receivable are reviewed for collectability and reserves for uncollectible amounts are established when needed. Conditional promises to give are not included as support until the conditions are substantially met.

Trust Contributions Receivable
Trust contributions receivable consist of gifts made to SSNC through split-interest agreements in which SSNC is a remainderman or has a perpetual income interest as beneficiary and for which there is an external trustee. These assets are carried at fair value based upon the present value of amounts anticipated to be received, using discount rates commensurate with the expected term to receipt of the assets using a discount rate of 5.0% at December 31, 2012 and 5.2% at December 31, 2011.

Continuing Care Contracts
NCPHS has entered into continuing care contracts with the residents of its continuing care facilities. Under the provision of these contracts, residents are required to pay an entrance fee and periodic monthly fees (resident fees) for services and the use of facilities. The resident fees are subject to adjustment for changes in operating costs or other economic reasons. NCPHS is obligated to provide long-term care.

NCPHS provides two types of continuing care contracts to its residents, fully amortizable and 90% repayment. Under the fully amortizable contract, entrance fees are one-time payments made by residents of the continuing care facilities that, in addition to monthly care fees, provide for living accommodations and are recorded as deferred revenue when received and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Teknekron life table for single residents and an actuarially-prepared joint life expectancy table for married residents.

NCPHS is contractually obligated to refund to a resident the entrance fee received less an amount equal to 1.5% of the entrance fee for each month of residency. No refund is made after 5-1/2 years of occupancy. In the event of death or involuntary termination, NCPHS is obligated to refund a portion of the entrance fee determined as follows:

Fewer than 90 days	90%
More than 90, less than one year	75%
More than one year, less than two years	50%
More than two years, less than three years	25%

(dollars in thousands)

More than three years	0%

On December 31, 2012 and 2011, $56,112 and $50,733 in entrance fees, respectively, were potentially subject to refund.

Under the 90% repayment option, residents pay a higher entrance fee, 90% of which will be refunded when the unit is resold. The refundable portion of the entrance fee paid is recorded as a liability and the remaining 10% is recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Teknekron life table for single residents and an actuarially-prepared joint life expectancy table for married residents.

NCPHS annually evaluates the need to accrue a liability for losses related to the obligation to provide future services under continuing care contracts. A loss must be accrued if the estimated present value of the net cost of future services and use of facilities to be provided to current residents exceeds the amount of unamortized entrance fees. The obligation is equal to the present value of the estimated cash cost of providing care in excess of estimated periodic fees to be received from residents over the residents' life expectancies plus depreciation of the facilities used by residents. The obligation assumes that the annual increase in the cost of care will be 5.1% and 5.0% as of December 31, 2012 and 2011, respectively, and that the annual increase in monthly care fees will be 3.3% and 3.4% as of December 31 2012 and 2011. For 2012 and 2011, interest rates of 4.25% and 4.75%, respectively, were used to discount the cost of providing lifetime care in excess of resident fees. Based on the above, the cost of providing lifetime care in excess of monthly resident fees was $74,379 and $61,991, on a discounted basis, and $81,381 and $66,028 on an undiscounted basis, at December 31, 2012 and 2011, respectively. Since the present value of the net cost of future services and use of facilities was less than the amount of unamortized entrance fees as of December 31, 2012 and 2011, this calculation did not result in an additional liability.

Fees for Services
Fees are charged for some services not covered by Continuing Care Contracts such as guest meals and parking. NCPHS also charges third parties for allowable expenses.

Contributions
Contributions, which may include unconditional promises to give (pledges), are recognized at fair value as revenues in the period received or unconditionally pledged. Contributions with donor-imposed restrictions that are met in the same year as received are reported as temporarily restricted contribution revenues and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions. Donated securities, real property and contributions in kind are recorded at fair value at the date of contribution. Contributions are derived primarily from donors in Northern California.

Contributions of trust interests in which SSNC serves as the trustee are recognized at fair value in the period of receipt. Fair value is determined based upon the difference between the fair value of the assets received and the fair value of the estimated liability to beneficiaries. Contributions of trust interests in which the assets are invested and administered by outside trustees are recorded at fair value when notice of the interest is received.

Investment Income
Investment income includes interest and dividend income earned on investments, net realized gains and losses on sales of investments, and other than temporary realized losses on investments.

Limited Use Assets
Limited use assets include bond proceeds held for capital projects and debt service reserve funds held with a trustee in accordance with indenture requirements. The indenture terms require that the trustee control the expenditure of bond proceeds for capital projects.

Change in Value of Split-Interest Agreements
Changes in the value of split-interest agreements are the results of the following transactions and events related to SSNC's deferred gifts:

- Accretion of the discounts on previously received deferred gifts.
- Revaluations of expected future benefits to be received, net of income earned and market changes on deferred gift assets.
- Revaluations of expected future payments to beneficiaries, net of payments made, based on changes in life expectancy and other actuarial assumptions.

Performance Indicator
The performance indicator reported in the consolidated statement of revenues, expenses and other changes in unrestricted net assets is captioned "change in unrestricted net assets from operations." Changes in unrestricted net assets which are excluded from the performance indicator, include unrealized gains and losses from investments, transfers of assets from SSNC to support programs and facilities, and the change in additional minimum pension liability.

Interest Rate Swap
NCPHS utilizes an interest rate swap, also known as a risk management or derivative instrument, to effectively create a fixed rate of interest on a portion of its 2004 Tax-exempt Variable Rate Demand Revenue Bonds. NCPHS has elected not to apply hedge accounting related to the interest rate swap and accordingly changes in the fair market value of the interest rate swap are recorded as a separate line item in the statement of operations and changes in unrestricted net assets.

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include unamortized entrance fees, estimated future service obligations, pension liability, pledges and contributions receivable and the liability for payments to trust beneficiaries. Actual results may differ from those estimates.

Risks and Uncertainties
NCPHS has executed a letter of credit with a bank to support repayment of the 2004 Tax-exempt Variable Rate Demand Revenue Bonds (Note 9). The terms of the letter of credit allow the bank to accelerate the repayment of the bonds in the event of any breach of material terms, covenants or agreements, any impairment of the collateral or proceeds or any material adverse change defined as an adverse event in excess of $5.0 million that the bank believes impairs or is substantially likely to impair repayment or performance by NCPHS. If NCPHS is required to accelerate the repayment of the bonds, NCPHS would be required to liquidate marketable securities, increase resident fees, reduce program expenses and/or to seek additional financing to raise sufficient cash to repay the bonds. Although management expects NCPHS would not be required to repay the bonds, no assurance can be given that the risk of demand for early repayment of the bonds will not result in material adverse effects on the NCPHS' financial position, results of operations and or net assets.

(dollars in thousands)

3. Marketable Securities

The composition of marketable securities is set forth in the following table. The majority of these securities are held with four investment firms:

	2012	2011
Cash equivalents	$ 2,054	$ 1,451
U.S. Government securities	404	665
Common stocks	21,207	20,181
Corporate fixed income securities	2,254	2,444
Equity mutual funds	15,528	10,485
Fixed income mutual funds	28,252	26,062
	$ 69,699	$ 61,288

Investment income is comprised of the following for the years ended December 31:

	2012	2011
Interest income	$ 770	$ 1,145
Net realized gains on sales of investments	2,676	2,352
Other than temporary impairment on investments	(717)	(2,182)
	$ 2,729	$ 1,315

(dollars in thousands)

4. Facilities

Facilities at December 31, 2012 and 2011 consist of the following:

	2012	2011
Continuing Care Facilities		
Sequoias - SF		
Land	$ 661	$ 661
Building and building equipment	76,648	72,132
Equipment and furniture	5,270	5,976
Less: Accumulated depreciation	(42,260)	(40,659)
	40,319	38,110
Sequoias - PV		
Land	303	303
Building and building equipment	68,445	67,603
Equipment and furniture	4,816	5,348
Less: Accumulated depreciation	(25,983)	(25,820)
	47,581	47,434
Tamalpais - RVH		
Land	850	850
Building and building equipment	43,667	42,008
Equipment and furniture	6,001	5,907
Less: Accumulated depreciation	(30,622)	(29,361)
	19,896	19,404
Continuing care facilities, net	107,796	104,948

(dollars in thousands)

	2012	2011
Residential housing		
Western Park Apartments		
Land	153	153
Building and building equipment	6,908	6,257
Equipment and furniture	790	819
Less: Accumulated depreciation	(4,614)	(4,481)
	3,237	2,748
Eastern Park Apartments		
Land	451	451
Building and building equipment	10,349	10,351
Equipment and furniture	922	949
Less: Accumulated depreciation	(6,634)	(6,391)
	5,088	5,360
Town Park Towers		
Land	1,400	1,400
Building and building equipment	10,340	10,340
Equipment and furniture	1,142	1,132
Less: Accumulated depreciation	(7,552)	(7,268)
	5,330	5,604
Residential housing, net	13,655	13,712
Other facilities		
The Woods		
Land	735	735
Building and building equipment	4,350	4,814
Equipment and furniture	366	380
Less: Accumulated depreciation	(2,758)	(3,147)
	2,693	2,782
Corporate Office		
Building and building equipment	831	425
Equipment and furniture	6,133	6,430
Less: Accumulated depreciation	(5,756)	(5,951)
	1,208	904
SFSC		
Equipment and furniture	501	492
Less: Accumulated depreciation	(437)	(424)
	64	68
Other facilities, net	3,965	3,754
Total facilities, net	$ 125,416	$ 122,414

Total depreciation expense for the years ended December 31, 2012 and 2011, is $8,546 and $8,631, respectively.

Construction-in-progress of $7,627 and $2,234 are included in building and building equipment, and equipment and furniture above, as of December 31, 2012 and 2011, respectively. Depreciation on these amounts will commence at the time the related assets are put into service.

(dollars in thousands)

Asset retirement obligations are included as part of other long-term liabilities and a summary of these obligations is as follows:

	2012	2011
Beginning balance	$ 7,023	$ 5,430
Accretion expense	367	222
Changes in estimated cash flows	-	1,582
Liabilities settled in the current period	(446)	(211)
Ending balance	$ 6,944	$ 7,023

5. Investments Held in Trust

Investments held in trust are summarized below. The majority of these investments are held with one investment firm:

	2012	2011
Cash equivalents	$ 432	$ 972
Fixed income mutual funds	4,090	3,873
Equity mutual funds	6,755	5,938
Corporate and government bonds	86	83
	$ 11,363	$ 10,866

6. Pledges Receivable

Pledges receivable were due as follows as of December 31:

	2012	2011
Current portion	$ 26	$ 17
Less: allowance	(1)	(1)
Total current portion	$ 25	$ 16
Greater than one year to five years	$ 370	$ 395
Greater than five years to twenty years	310	310
	680	705
Less: allowance	(34)	(35)
Less: unamortized discount at 0.62% to 6.75%	(96)	(107)
Total non-current portion	$ 550	$ 563

Pledges receivable include promises to give end-of-life gifts from donors with life expectancies ranging between zero and 9 years.

(dollars in thousands)

7. Investments Contractually Limited for Replacement

In connection with long-term debt agreements for NCPHS' three residential housing facilities, HUD requires a monthly deposit to a replacement account. Replacement accounts are held by an outside trustee for TPT and by NCPHS for EPA. In 2012, WPA paid off the long-term debt and is no longer required to maintain the replacement account and make a monthly deposit to the account.

The investments for replacement are spent on improvements or repairs of structural elements and mechanical equipment of the facilities. Disbursements from the replacement accounts may be made upon receiving consent in writing from the U.S. Department of Housing and Urban Development.

Earnings attributable to these investments accrue to the facility. As of December 31, 2012 and 2011, the investments consisted of the following:

	2012	2011
Cash and certificates of deposits	$ 916	$ 1,977
United States Treasury securities	1,083	944
	$ 1,999	$ 2,921

8. Limited Use Assets

Limited use assets at December 31 are held with one institution and are to be used as follows:

	2012	2011
California Health Facilities Financing Authority		
Revenue Bond Series 1998		
Principal and interest fund	$ 887	$ 902
Revenue Bond Series 2004		
Principal and interest fund	772	688
	1,659	1,590
Less current portion	(1,659)	(1,590)
	$ -	$ -

The composition of limited use assets at December 31, 2012 and 2011 consisted solely of cash and cash equivalents.

(dollars in thousands)

9. Long-Term Debt and Line of Credit

Long-term debt comprises the following at December 31:

	2012	2011
Continuing care facilities		
California Health Facilities Financing Authority Revenue Bond Series 2004 Tax-exempt Variable Rate Demand Revenue Bonds ("2004 Revenue Bonds"). Payable through 2030, collateralized by Union Bank Letter of Credit; interest at 0.15% at December 31, 2012	$ 36,100	$ 37,100
California Health Facilities Financing Authority Revenue Bond Series 1998, Term Bonds due 2018, interest at 5.1% totaling $5,075; and term bonds due 2028, interest at 5.4% totaling $12,865, principal and interest paid semi-annually, collateralized by a pledge of gross revenues of NCPHS's operations.	17,940	18,645
Continuing care facilities	54,040	55,745
Residential housing		
Western Park Apartments		
Federal National Mortgage Association, payable through 2012 in monthly installments of $9, including net interest at 1.0% (7.5% FHA interest rate subsidy), collateralized by a first deed of trust on WPA real estate. Repaid in 2012.	-	27
Eastern Park Apartments		
HUD payable though 2020 in monthly installments of $51 including net interest at 6.9%, collateralized by a first deed of trust on EPA real estate.	3,482	3,843
Town Park Towers		
HUD payable through 2013 in monthly installments of $10, including net interest at 1.0% (6.0% FHA interest rate subsidy), collateralized by a first deed of trust on TPT real estate.	208	470

(dollars in thousands)

HUD Flexible Subsidy Residual Receipts Note, principal and accumulated interest at 1.0% due 2013, collateralized by a first deed of trust on TPT real estate.	1,137	1,128
Residential housing	4,827	5,468
Total debt	58,867	61,213
Less: current portion	3,581	2,357
Total long-term debt	$ 55,286	$ 58,856

Scheduled principal payments on long-term debt, assuming remarketing of the 2004 Revenue Bonds, are as follows:

2013	$ 3,581
2014	2,302
2015	2,366
2016	2,543
2017	2,617
Thereafter	45,458
	$ 58,867

The scheduled principal payments above represent the annual payments required under debt repayment schedules. The current portion of long-term debt obligations includes payments scheduled to be made in 2013.

NCPHS' most restrictive loan covenants are those associated with the mortgages collateralized by its residential facilities which require these facilities to be operated in accordance with regulations established by HUD. HUD requires that NCPHS establish replacement accounts for the facilities subject to HUD loans (Note 7), sets upper limits on residents' income levels, requires that NCPHS submit annual budgets for approval, and approves the annual rent increases in addition to setting other residential guidelines to which NCPHS must adhere. As of December 31, 2012, NCPHS was in compliance with all debt covenants.

The 2004 bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on at least seven days' notice and delivery to the remarketing agent. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate. With the consent of the credit enhancement provider, NCPHS can direct California Health Facilities Financing Authority ("CHFFA") to convert the bonds to accrue interest at an auction rate or a fixed rate.

In the event the remarketing agent is not able to sell the repurchased 2004 bonds, NCPHS has obtained a bank letter of credit which was issued to ensure repayment of the bonds to the holders and to enhance the credit rating and marketability of the bonds. Union Bank (UBOC) issued the letter of credit on February 1, 2011. The current rate is 1.25%. The letter of credit is valid through February 1, 2015. The terms of the letter of credit require NCPHS to redeem, within 365 days, any bonds purchased by UBOC due to the remarketing agent's failure to sell the bonds.

Under the terms of the various agreements entered into in connection with the issuance of the 1998 and 2004 bonds, NCPHS must comply with certain covenants including maintenance of corporate existence; maintenance of records and filing of financial statements; payment of taxes, utilities and other charges; maintenance of tax-exempt status of interest on the bonds. In addition, the letter of credit agreement contains various covenants, the most restrictive of which are maintaining a debt service coverage ratio (as defined) of at least 1.25 and requiring NCPHS to notify the bank of an adverse event that impairs or is likely to impair repayment or performance by NCPHS in an amount in excess of $5,000. As of December 31, 2012, NCPHS was in compliance with all debt covenants.

(dollars in thousands)

Management believes the definition of material adverse event and other clauses within the letter of credit agreement do not constitute subjective acceleration clauses as defined under the provisions of debt presentation authoritative guidance (ASC 470-10-45). NCPHS is therefore not required to present the portion of the 2004 bonds due after 2013 as a current liability as of December 31, 2012.

As of December 31, 2012, there were no unspent bond proceeds.

Interest Rate Swap
NCPHS entered into an interest rate swap agreement in 2007 with a financial institution that involves the exchange of fixed interest rate payments at the rate of 3.2% on an amount equal to $18,050 as of December 31, 2012 in exchange for floating interest rate payments that equal 65% of USD-LIBOR-BBA. During the term of the agreement, NCPHS can terminate the agreement at any time prior to its expiration in 2017. The financial institution can terminate the agreement if specified adverse events occur.

The fair value of the interest rate swap is the estimated amount that NCPHS would currently pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparty. As of December 31, 2012 and 2011, the estimated change in fair value of the interest rate swap for each year, the gain (loss) on the interest rate swap, and the estimated fair value of the interest rate swap liability are as follows:

Balances related to interest rate swap	Location in financial statements	2012	2011
Change in fair value of interest rate swap	Gain (loss) on interest rate swap in the Statement of Revenues, Expenses and Other Changes in Unrestricted Net Assets	$ 155	$ (536)
Net payments with counterparty	Interest expense in the Statement of Revenues, Expenses and Other Changes in Unrestricted Net Assets	609	531
Fair value of interest rate swap	Other long-term liabilities in the Balance Sheet	2,134	2,289

Line of Credit

NCPHS has lines of credit in the amount of $6,000 in 2012 and 2011 with a bank, of which $4,000 is collateralized by a gross revenue pledge and $2,000 is unsecured. The lines of credit renew annually each July. At December 31, 2012 and December 31, 2011, NCPHS had an outstanding balance of $2,000.

NCPHS has stand-by letters of credit totaling approximately $3,400 and $3,700 to collateralize its obligations under a high deductible workers compensation program as of December 21, 2012 and 2011, respectively, from the same bank that issued the lines of credit described above. No amounts were outstanding as of December 31, 2012 and 2011. The stand-by letters of credit restrict the availability of the lines of credit in that the total amount available at any one time from the letters of credit and lines of credit cannot exceed $6,000.

NCPHS is required to provide written notification to the bank of any material adverse change in its financial condition or operation. There were no such changes in 2012 and 2011.

(dollars in thousands)

10. Fair Value of Financial Instruments

The fair values of our financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2012 and 2011:

	2012			
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Un-observable Inputs (Level 3)
Assets Measured at Fair Value on a Recurring Basis (1)				
Marketable Securities (2)			$ -	$ -
Unrestricted	$ 69,699	$ 69,699	-	-
Investments Contractually Limited for Replacement	1,999	1,999	-	-
Investments held in trust	11,363	11,363	-	-
Trust Contributions Receivable (3)	529	-	-	529
	$ 83,590	$ 83,061	$ -	$ 529
Liabilities Measured at Fair Value on a Recurring Basis				
Interest rate swap (4)	$ 2,134		$ 2,134	$ -

	2011			
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Un-observable Inputs (Level 3)
Assets Measured at Fair Value on a Recurring Basis (1)				
Marketable Securities (2)				
Unrestricted	$ 61,288	$ 61,288	$ -	$ -
Investments Contractually Limited for Replacement	2,921	2,921	-	-
Investments held in trust	10,866	10,866	-	-
Trust Contributions Receivable (3)	874	-	-	874
	$ 75,949	$ 75,075	$ -	$ 874
Liabilities Measured at Fair Value on a Recurring Basis				
Interest rate swap (4)	$ 2,289		$ 2,289	$ -

(1) For cash and cash equivalents, the net carrying value approximates fair value at period end. The Company's debts are not recorded at fair value on the Consolidated Balance Sheet and thus excluded from the fair value table above.

(2) The fair values of our marketable securities which are included in the consolidated balance sheet are determined based on quoted market prices in active markets. The marketable securities consist of cash equivalents, U.S. government securities, common stocks, corporate fixed income securities, equity mutual funds, and fixed mutual funds as detailed in footnote 3.

(3) The fair value of our trust contributions receivable which is included in the consolidated balance sheet is determined using a present value calculation of expected future cash flows with assumptions for the risk-free interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.

(dollars in thousands)

(4) The fair value of our interest rate swap is determined using mid-market interest rates and/or securities prices based on readily observable market parameters for all substantial terms of the derivative contract and, therefore, is classified as Level 2. The balances related to the interest rate swap and the location of where they are recorded in the financial statements are included in footnote 9.

There were no transfers of assets or liabilities between Level 1 and Level 2 during the year ended December 31, 2012.

The change in the fair value of trust contributions receivable are reflected in the change in value of split-interest agreements for temporarily and permanently restricted net assets in the consolidated statements of changes in net assets. The valuation technique utilizes published actuarial life expectancies ranging from 2.3 to 8.6 years, and discount rates ranging from 0.6% to 6.8% as of December 31, 2012. The change in value of the trust contributions receivable valued using significant unobservable inputs (Level 3) is shown below:

Fair value at December 31, 2011	$	874
New contributions		157
Maturities		(617)
Total unrealized gains included in changes in net assets		981
Total realized losses included in changes in net assets		(866)
Fair value at December 31, 2012	$	529
Total gains (losses) for the year included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2012	$	(238)
Fair value at December 31, 2010	$	981
New contributions		-
Maturities		(205)
Total unrealized gains included in changes in net assets		1,056
Total realized losses included in changes in net assets		(958)
Fair value at December 31, 2011	$	874
Total gains (losses) for the year included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2011	$	(224)

On a nonrecurring basis, we are required to measure unconditional promises to give (pledges), the liability for payments to trust beneficiaries, and liabilities associated with asset retirement obligations. None of the above fair value instruments were remeasured during the year. Pledges are estimated at fair value during the period received based on the present value of expected future cash flows using the discount rate adjustment technique. The valuation technique utilizes published actuarial life expectancies ranging from 2.3 to 8.6 years, and discount rates ranging from 0.6% to 6.8% as of December 31, 2012. Liabilities for payments to trust beneficiaries are estimated at fair value at the time the related trust assets are received based on the present value of estimated future payments over the expected life of income beneficiaries using the discount rate adjustment technique. The valuation technique utilizes published actuarial life expectancies ranging from 2.6 to 16.4 years, and discount rates ranging from 0.6% to 6.8% as of December 31, 2012. Liabilities associated with asset retirement obligations are estimated at fair value based on discount rates ranging from 4.9% to 6.3%, and inflation rate of 3.0% and 3.5%.

(dollars in thousands)

Fair Value of Debt Instruments
For the 2004 Revenue Bonds, the carrying value approximates the fair value as the interest rates are adjusted on a weekly basis and fluctuate with changes in market rates. The fair value of NCPHS' fixed rate debt, based on quoted market prices (Level 2) is $17,956 and $18,282 at December 31, 2012 and 2011, respectively.

The fair value of the EPA debt is $4,111 and matures in 2020. It is based on a conventional discounted cash flow methodology and utilizes assumptions of current borrowing rates. For all other debt, including the TPT debts and the outstanding lines of credit, the carrying value approximates fair value.

11. Pension Plan

NCPHS sponsors a non-contributory defined benefit pension plan covering employees who work 1,000 hours or more. The benefits are generally based on an employee's average salary in the last five years of employment and years of service. NCPHS funds the pension plan in accordance with the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). Contributions to the Plan are determined under the projected unit credit cost method and are made each year in an amount at least equal to the minimum requirements of ERISA.

Plan assets less than the projected benefit obligations were as follows:

	2012	2011
Projected benefit obligation at December 31	$ (61,962)	$ (54,763)
Fair value of plan assets at December 31	43,228	35,801
Funded status	$ (18,734)	$ (18,962)

Amounts recognized in the consolidated balance sheet at December 31 consist of:

	2012	2011
Pension liability	18,734	18,962
Noncurrent liability	$ 18,734	$ 18,962

(dollars in thousands)

The accumulated benefit obligation is $56,284 and $49,489 as of December 31, 2012 and 2011, respectively.

The assumptions used in determining the actuarial present value of the projected benefit obligation were as follows:

	2012	2011
Weighted-average assumptions used to determine benefit obligations		
Discount rate	4.25%	4.75%
Rate of compensation increase	3.00%	3.00%
Weighted-average assumptions used to determine net periodic benefit cost for years ended		
Discount rate	4.75%	5.75%
Expected long-term return on plan assets	7.25%	7.75%
Rate of compensation increase	3.00%	3.00%

Net periodic pension cost for 2011 and 2010 was determined by an independent actuary and is calculated using a prescribed attribution method, based on acceptable actuarial assumptions, which are adjusted periodically to reflect actual experience. NCPHS uses a December 31 measurement date for the above defined plan. Pension cost is summarized as follows:

	2012	2011
Benefits cost	$ 3,677	$ 2,478
Employer contributions	3,600	3,600
Benefits paid	(1,497)	(1,422)

Components of net periodic benefit cost at December 31 were as follows:

	2012	2011
Service cost	$ 2,382	$ 2,331
Interest cost	2,527	2,469
Expected return on plan assets	(2,663)	(2,769)
Amortization of prior service cost	11	11
Amortization of net loss	1,420	436
Net periodic benefit cost	$ 3,677	$ 2,478

The amounts that have not yet been recognized as components of net periodic benefit cost as of December 31 were as follows:

	2012	2011
Net actuarial loss	$ 19,433	$ 19,727
Prior service cost	15	26
	$ 19,448	$ 19,753

(dollars in thousands)

The net actuarial losses and prior service costs recognized as other changes in unrestricted net assets and representing amounts not previously recognized in net periodic benefit costs for the year ended December 31, are as follows:

	2012	2011
Net actuarial (gains) losses	$ 1,127	$ 11,736
Prior service costs	-	-
Amortization of actuarial losses	(1,420)	(437)
Amortization of prior service costs	(11)	(11)
	$ (304)	$ 11,288

The net actuarial losses and prior service costs expected to be recognized as other changes in unrestricted net assets during the fiscal year ended December 31, 2013 are as follows:

Net actuarial losses	$ 1,369
Prior service costs	$ 11
	$ 1,380

Projected benefits payments for the plan are as follows:

2013	$ 2,151
2014	2,286
2015	2,460
2016	2,736
2017	3,025
2018-2022	17,693

NCPHS expects to contribute $3,600 to its pension plan in 2013.

Plan assets are invested with an appointed custodian. The contract with the custodian allows for investments in equity, money market, mutual fund and real estate investments under the direction of NCPHS. Plan assets are invested with the objective of achieving a long-term rate of return of 7.25%. This is achieved through investment in a mix of equity and fixed income investments, with targeted allocations of 70% equity instruments and 30% fixed income instruments. Over time, equity investments are expected to return 8.25%, while fixed income investments are expected to return 5.0%. This produces an expected composite long term return on investment of 7.25%. Plan assets as of December 31, 2012 were invested as follows:

	2012	2011
Cash and cash equivalents	$ 1,271	$ 827
Common stocks	16,800	13,471
Equity mutual funds	13,215	10,457
Fixed income mutual funds	11,942	11,046
	$ 43,228	$ 35,801

Equity mutual funds held in the Plan assets invest in common stocks of companies based either inside or outside the United States, including some small-capitalization companies. The primary objective is to provide growth of capital. Fixed income mutual funds held in the Plan assets primarily invest in a diversified portfolio of high-quality bonds and other fixed income securities of varying maturities.

(dollars in thousands)

For 2012 and 2011, plan assets are stated at fair value using level 1 input within the fair value hierarchy. Cash equivalents and mutual funds are valued at quoted market prices on an exchange and active markets. Common stocks are valued at the last sale price on the last business day of the Plan year, as quoted on a recognized exchange or an industry standard pricing service.

NCPHS also sponsors a defined contribution tax-sheltered annuity plan for substantially all of its full-time employees. The Tax Sheltered Annuity Plan was amended effective January 1, 2012, consistent with guidance under Treasury Regulation Section 1.403(b)-10 to delete Section 7.01(b) of the Plan, which provided that a complete discontinuance of contributions under the Plan would constitute termination of the Plan. Consistent with IRS guidance, the Plan is considered a frozen plan, and all provisions remain in effect until NCPHS determines to take further action, except that new contributions will not be made to the Plan.

Effective as of the first payroll date on or after January 1, 2012, consistent with amendments to the Plan, contributions to the Plan were discontinued and contributions began being made to a new 403(b) Plan. The new 403(b) Plan permits contributions which can be matched at the discretion of NCPHS.

Effective July 1, 2012, NCPHS changed the formula used to calculate Defined Benefit Pension Plan benefits in order to allow for more stable expenses while maintaining a competitive retirement benefits program for its employees. NCPHS also started contributing 2.5% of compensation to eligible employees each pay period, as part of its new 403(b) Plan.

12. Endowments

NCPHS's endowment consists of seven donor-restricted funds established for a variety of purposes. The purpose restrictions consist of financial assistance to continuing care retirement community residents, meal subsidies, improvements to the quality of life of Sequoias-PV residents, and maintenance of the resident garden at Sequoias-PV. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law
The Board of Trustees of SSNC has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, NCPHS 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 organization appropriates all investment income on the endowment funds for expenditure through temporarily restricted net assets.

The net asset composition for donor restricted endowment funds by type of fund as of December 31 is as follows:

Donor-restricted endowment funds	**2012**	**2011**
Temporarily restricted	$ 2,612	$ 2,228
Permanently restricted	5,622	5,533
	$ 8,234	$ 7,761

Changes in endowment net assets for the fiscal year ended December 31 are as follows:

(dollars in thousands)

	Temporary Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2011	$ 2,228	$ 5,533	$ 7,761
Investment return:			
Investment income (loss)	271	-	271
Net appreciation (realized and unrealized)	220	-	220
Total investment return	491	-	491
Contributions	-	89	89
Appropriation of endowment assets for expenditure	(107)	-	(107)
Endowment net assets, December 31, 2012	$ 2,612	$ 5,622	$ 8,234

	Temporary Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2010	$ 2,043	$ 5,122	$ 7,165
Investment return:			
Investment income (loss)	341	-	341
Net depreciation (realized and unrealized)	(89)	-	(89)
Total investment return	252	-	252
Contributions	-	411	411
Appropriation of endowment assets for expenditure	(67)	-	(67)
Endowment net assets, December 31, 2011	$ 2,228	$ 5,533	$ 7,761

The amounts contributed as NCPHS' endowment funds have been retained permanently by explicit donor stipulation and the fair values of the original gifts have been preserved in accordance with UPMIFA. NCPHS does not hold term endowment funds or perpetual endowment funds subject to time restrictions.

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 NCPHS to retain as a fund of perpetual duration. The organization had no deficiencies of this nature in its endowment funds, as of December 31, 2012 and December 31, 2011.

Return Objectives and Risk Parameters
NCPHS has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the original gift value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the Consumer Price Index by 3.25% annually, on average, while assuming a moderate level of investment risk. NCPHS expects its endowment funds, over

time, to provide an average rate of return of at least 6.25% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, NCPHS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The organization targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
NCPHS has a policy of appropriating the endowment fund's investment income for expenditure as the income is earned. In establishing this policy, the organization considered the long-term expected return on its endowment. This is consistent with the organization's objective to maintain the original gift value of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns.

13. Commitments and Contingencies

NCPHS is involved in certain routine matters of litigation related to their operations. Management does not expect any material impact on the financial position or changes in net assets from any such matters; however, due to the inherent uncertainties in litigation, it is possible that amounts ultimately paid, if any, may exceed management's expectations.

As at December 31, 2012, NCPHS had a number of capital projects ongoing. NCPHS has entered into various contracts in relation to these capital projects. The total commitment as of December 31, 2012 is $2,867.

NCPHS is a recipient of federal awards. These awards are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantors, if any, cannot be determined at this time, although NCPHS expects such amounts, if any, to be immaterial.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to the matters such as licensure, accreditation, government healthcare program participation requirements, and Medicare fraud and abuse.

14. Subsequent Events

No other subsequent events were noted through April 30, 2013, the date the financial statements were available to be issued.

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Report of Independent Auditors on Supplementary Information

To the Board of Directors
Northern California Presbyterian Homes and Services, Inc.

We have audited the consolidated financial statements of Northern California Presbyterian Homes and Services, Inc. and related entities as of December 31, 2012 and for the year then ended and our report thereon appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The community service information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

PricewaterhouseCoopers LLP

April 30, 2013

PricewaterhouseCoopers LLP, Three Embarcadero Center, San Francisco, CA 94111-4004
T: (415) 498 5000, F: (415) 498 7100, www.pwc.com/us

Northern California Presbyterian Homes and Services, Inc.
Community Service Information
December 31, 2012 and 2011
(dollars in thousands) ***(Unaudited)***

The following reflects the expenditures made by Northern California Presbyterian Homes and Services, Inc. ("NCPHS") net of amounts funded by grants and other donation support for the years ended December 31, 2012 and 2011:

	Program Expense	User Fees & Government Grants	Unsponsored Cost	Donation Support	Net Community Benefit 2012
Residential Financial Support	$ 447	$ -	$ 447	$ (447)	$ -
Meals Program	41	(15)	25	(4)	21
Living at Home Program	891	(728)	163	(95)	68
ROSS Grant	459	(452)	7	(54)	(47)
Coming of Age	-	-	-	-	-
RSVP	385	(252)	134	(41)	93
Life Long Learning	60	(1)	59	(7)	52
Experience Corp Marin	214	(76)	138	(23)	115
Training for Disabled	36	-	36	-	36
Well Elder	18	-	18	-	18
Peninsula volunteers	34	-	34	(4)	30
San Francisco Senior Center	1,799	565	1,234	(997)	237
	$ 4,384	$ (959)	$ 2,295	$ (1,672)	$ 623

	Program Expense	User Fees & Government Grants	Unsponsored Cost	Donation Support	Net Community Benefit 2011
Residential Financial Support	$ 346	$ -	$ 346	$ (346)	$ -
Meals Program	35	(13)	23	(4)	19
Living at Home Program	750	(683)	66	(84)	(19)
ROSS Grant	508	(485)	23	(62)	(39)
Coming of Age					
RSVP	473	(266)	207	(53)	154
Life Long Learning	81	(1)	80	(10)	70
Experience Corp Marin	190	(52)	138	(21)	117
Training for Disabled	36	-	36	-	36
Well Elder	14	-	14	-	14
Peninsula volunteers	72	(80)	(8)	(9)	(17)
San Francisco Senior Center	1,654	551	1,103	(933)	170
	$ 4,159	$ (1,029)	$ 2,028	$ (1,522)	$ 505

The following is a summary of NCPHS' Community Services:

- A meals program, which serves meals in senior housing settings.
- A Living at Home Program, which includes the Resident Opportunities for Self-Sufficiency (ROSS) program, whose social workers assist over 2,000 persons annually in primarily low-income settings in San Francisco and Santa Clara counties.
- Corporate sponsorship of Coming of Age - Bay Area, which is supported with a RSVP grant. Coming of Age helps people ages 50 and over make rewarding transitions to the next phase of life by providing pathways to explore passions, plan for future, become community leaders, pursue lifelong learning and engage in meaningful service. Coming of Age offers Learning Labs, workshops for nonprofits that seek to enhance their capacity to capture the energy and expertise of volunteers ages 50 and over.
- Experience Corps Marin, which taps the skills of over 50 older adults to provide academic support to about 800 students in 5 San Rafael elementary schools.

- AARP (formerly American Association of Retired Person) Experience Corps Marin, which taps the skills of 100 older adults to provide academic support to about 1000 students in 6 San Rafael elementary schools.
- In collaboration with the ARC (formerly Aid to Retarded Citizens) of San Francisco, we provide work and training opportunities for developmentally disabled persons in San Francisco.
- Well Elder, a project to provide health and social services in a cost-effective and humane manner for seniors, which assists 600 persons in three of our residential housing communities through direct service and education/health screening programs.
- In partnership with Peninsula Volunteers, a service coordinator who supplements the Meals on Wheels program to support the psychosocial, health, financial, recreational and legal needs of 250 to 300 senior meal recipients in San Mateo County through March 2012.
- San Francisco Senior Center includes a seven day a week meal site, a transitional care program, a senior activities program, a fitness and wellness program, computer tutoring and fine arts classes.

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Report of Independent Auditors
on Supplementary Information

To the Board of Directors
Northern California Presbyterian Homes and Services, Inc.

We have audited the consolidated financial statements of Northern California Presbyterian Homes and Services, Inc. and related entities as of December 31, 2012 and for the year then ended and our report thereon appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental financial information on pages 35 through 37 is presented for purposes of additional analysis and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

April 30, 2013

Northern California Presbyterian Homes and Services, Inc.
Details of Operations
Sequoias – San Francisco
For the year ended December 31, 2012
(dollars in thousands)

	2012	2011
Operating revenues and support		
Resident fees	$ 14,687	$ 14,301
Amortization of entrance fees	5,127	5,297
Fees for services and other income	2,161	2,337
Investment income including realized gains and losses on investments	0	0
Total operating revenues and support	21,975	21,935
Expenses		
Program expenses		
Housing		
Program	5,217	5,984
Interest expense	891	1,000
Depreciation	3,110	2,934
Food service	4,350	4,134
Health care	5,644	5,727
Other program services	2,814	2,739
	22,026	22,518
Program support expense		
Administration	1,929	1,873
Total expenses	23,955	24,391
Change in unrestricted net assets from operations	(1,980)	(2,456)
Other Changes		
Grants used for programs and facilities	582	241
Change in unrestricted net assets	$ (1,398)	$ (2,215)

Northern California Presbyterian Homes and Services, Inc.
Details of Operations
Sequoias – Portola Valley
For the year ended December 31, 2012
(dollars in thousands)

	2012	2011
Operating revenues and support		
Resident fees	$ 14,126	$ 13,672
Amortization of entrance fees	5,079	3,947
Fees for services and other income	3,462	3,487
Investment income including realized gains and losses on investments	0	0
Total operating revenues and support	22,667	21,106
Expenses		
Program expenses		
Housing		
Program	4,425	4,468
Interest expense	635	741
Depreciation	2,244	2,123
Food service	4,048	3,870
Health care	6,328	6,385
Other program services	2,756	2,556
	20,436	20,143
Program support expense		
Administration	1,873	1,833
Total expenses	22,309	21,976
Change in unrestricted net assets from operations	358	(870)
Other Changes		
Grants used for programs and facilities	225	127
Change in unrestricted net assets	$ 583	$ (743)

Northern California Presbyterian Homes and Services, Inc.

Details of Operations
Sequoias - Tamalpais
For the year ended December 31, 2012
(dollars in thousands)

	2012	2011
Operating revenues and support		
Resident fees	$ 13,797	$ 13,899
Amortization of entrance fees	4,232	3,455
Fees for services and other income	2,041	2,062
Investment income including realized gains and losses on investments	0	0
Total operating revenues and support	20,070	19,416
Expenses		
Program expenses		
Housing		
Program	5,180	4,434
Interest expense	521	584
Depreciation	1,759	2,060
Food service	3,890	3,805
Health care	5,662	5,478
Other program services	2,693	2,625
	19,705	18,986
Program support expense		
Administration	1,873	1,819
Total expenses	21,578	20,805
Change in unrestricted net assets from operations	(1,508)	(1,389)
Other Changes		
Grants used for programs and facilities	272	156
Change in unrestricted net assets	$ (1,236)	$ (1,233)

Part 5

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Independent Auditor's Report

To the Board of Directors
Northern California Presbyterian Homes and Services, Inc.

We have audited the accompanying Continuing Care Reserve Report Part 5 ("Reports") of Northern California Presbyterian Homes and Services, Inc. (the "NCPHS") as of December 31, 2012. These Reports are the responsibility of the NCPHS's management. Our responsibility is to express an opinion on these 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Reports. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation of the Report. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Reports were prepared for the purpose of complying with California Health and Safety Code Section 1792, as described in Note 1, and are not intended to be a complete presentation of the NCPHS's assets, liabilities, revenues and expenses.

In our opinion, the Reports, referred to above, presents fairly, in all material respects, the liquid reserve requirements of the NCPHS as of December 31, 2012, in conformity with the report preparation provisions of the California Health and Safety Code section 1792.

This report is intended solely for the use of the NCPHS and for filing with the California Department of Social Services and is not intended to be and should be used for any other purposes. However, this report is a matter of public record and its distribution is not limited.

PricewaterhouseCoopers LLP

April 30, 2013

PricewaterhouseCoopers LLP, Three Embarcadero Center, San Francisco, CA 94111-4004
T: (415) 498 5000, F: (415) 498 7100, www.pwc.com/us

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	07/29/98	$705,000	$991,767		$1,696,767
2	03/01/72	$26,685	$246		$26,930
3	03/01/80	$362,881	$253,457		$616,338
4	10/01/73	$261,442	-$145,512		$115,930
5	01/01/94		$9,656		$9,656
6	09/14/04	$1,000,000	$716,262	$417,042	$2,133,304
7	Line of Credit		$50,194		$50,194
8					$0
		TOTAL:	$1,876,070	$417,042	$4,649,119

(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 Presbyterian Homes & Services, Inc.

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

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

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

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

PROVIDER: Northern California Presbyterian Homes & Services, Inc.

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$4,649,119
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)	$0
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$4,649,119

PROVIDER: Northern California Presbyterian Homes & Services, Inc.

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$23,955,940
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$891,222	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)		
	c.	Depreciation	$3,110,204	
	d.	Amortization		
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract		
	f.	Extraordinary expenses approved by the Department		
3		Total Deductions		$4,001,426
4		Net Operating Expenses		$19,954,514
5		Divide Line 4 by 365 and enter the result.		$54,670
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$4,100,243

PROVIDER: Northern California Presbyterian Homes & Services, Inc.
COMMUNITY: Sequoias - San Francisco

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$22,308,546
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$635,100	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)		
	c.	Depreciation	$2,243,677	
	d.	Amortization		
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract		
	f.	Extraordinary expenses approved by the Department		
3		Total Deductions		$2,878,777
4		Net Operating Expenses		$19,429,769
5		Divide Line 4 by 365 and enter the result.		$53,232
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$3,992,418

PROVIDER: Northern California Presbyterian Homes & Services, Inc.
COMMUNITY: Sequoias - Portola Valley

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$21,578,406
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$521,556	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)		
	c.	Depreciation	$1,758,787	
	d.	Amortization		
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract		
	f.	Extraordinary expenses approved by the Department		
3		Total Deductions		$2,280,343
4		Net Operating Expenses		$19,298,063
5		Divide Line 4 by 365 and enter the result.		$52,871
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$3,965,355

PROVIDER: Northern California Presbyterian Homes & Services, Inc.
COMMUNITY: Tamalpais

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Northern California Presbyterian Homes & Services, 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:

		Amount
[1]	Debt Service Reserve Amount	$4,649,119
[2]	Operating Expense Reserve Amount	$12,058,016
[3]	**Total Liquid Reserve Amount:**	**$16,707,135**

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

	Qualifying Asset Description	Amount: Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents	$351,860		$351,860
[5]	Investment Securities	$14,799,351		$14,799,351
[6]	Equity Securities	$10,512,589		$10,512,589
[7]	Unused/Available Lines of Credit			
[8]	Unused/Available Letters of Credit			
[9]	Debt Service Reserve			(not applicable)
[10]	Other: (describe qualifying asset)			
	Listed for Reserve Obligation: [11]	$25,663,799	[12]	$25,663,799
	Reserve Obligation Amount: [13]	$4,649,119	[14]	$12,058,016
	Surplus/(Deficiency): [15]	$21,014,680	[16]	$13,605,783

Signature:
(Authorized Representative)

Date: 4/29/2013

VP Finance
(Title)

Northern California Presbyterian Homes and Services, Inc.

Form 5-5

Additional Disclosures

Status Description and Amount of Reserves:

NCPHS' reserves consist of cash and cash equivalents of $2,378,047 and marketable securities of $51,327,586 totaling $53,705,633. NCPHS targets an allocation of approximately 50% for equity investments for its marketable securities.

Per capita costs

The per capita cash cost of care excluding interest and depreciation expense for NCPHS' facilities for 2012 was as follows:

Sequoias San Francisco	$63,448
Sequoias Portola Valley	$65,091
Tamalpais	$62,252

Funds accumulated for specific projects and/or contingencies

NCPHS had accumulated cash and marketable securities totaling $53,705,633 as of December 31, 2012. While these funds have not been designated for specific needs or projects, they are generally available to respond to contingencies; provide funding for projects which are internally financed and support NCPHS' efforts to grow and serve more seniors consistent with its tax exempt purpose.

In 2012, NCPHS' cash flow from operations including entrance fees was sufficient to cover its activities so accumulated cash and marketable securities were not required to fund projects. Projects in excess of $250,000 completed in 2012 were as follows:

Sequoias Portola Valley

Roof replacement	$ 662,624

Sequoias San Francisco

Assisted Living/Memory Care renovation	$	3,637,126

Tamalpais

Residential lounges	$	359,120
Health Center sprinkler Installation – 1st phase	$	402,119

Projects included in the 2013 capital budget which are greater than $250,000 include the following:

Sequoias Portola Valley

Roof replacement – second phase	$	639,630
Boiler replacement	$	298,394
Apartment upgrades	$	500,000
Telephone system replacement	$	299,362

Sequoias San Francisco

Assisted Living Memory Care	$	1,406,886
Phone system replacement	$	302,922
Apartment renovations	$	787,856

Tamalpais

Exterior window replacement	$	632,000
Chiller replacement	$	740,000
Telephone system	$	300,000
Kitchen equipment hotline	$	250,000
Residential lounge remodels	$	490,855
Health Center sprinklers – continuation	$	503,496

While the intention is to fund these projects as well as all other projects in the 2013 capital budget with cash flow from operations including entrance fees, accumulated cash and marketable securities may be needed to fund some of this activity.

NCPHS has also budgeted approximately $1,000,000 to pursue opportunities to develop new projects. This may also come from accumulated cash and marketable securities if cash flow from operations including entrance fees is not sufficient.

Part 6

Continuing Care Retirement Community Disclosure Statement
General Information

Date Prepared: 4/3/13

FACILITY NAME: Sequoias – San Francisco
ADDRESS: 1400 Geary Boulevard, San Francisco, CA ZIP CODE: 94109 PHONE: 415-922-9700
PROVIDER NAME: NCPHS FACILITY OPERATOR: NCPHS
RELATED FACILITIES: 6 RELIGIOUS AFFILIATION: Presbyterian
YEAR OPENED: 1969 NO. OF ACRES: 5 MULTI-STORY: X SINGLE STORY: ___ BOTH: ___
MILES TO SHOPPING CTR: Less than 1 mile MILES TO HOSPITAL: 1 mile

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	64	ASSISTED LIVING	19
APARTMENTS – 1 BDRM	140	SKILLED NURSING	50
APARTMENTS – 2 BDRM	67	SPECIAL CARE	0
COTTAGES/HOUSES	0	DESCRIBE SPECIAL CARE:	N/A
% OCCUPANCY AT YEAR END	91.9%		

TYPE OF OWNERSHIP: ☒ NOT FOR PROFIT ☐ FOR PROFIT ACCREDITED: ☒ Y ☐ N BY: CARF

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: $113,800 TO $811,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: All except Rx, dental, glasses, podiatry, psychiatry, and specified others

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

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☐	☒
BILLIARD ROOM	☒	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☒	☐
CHAPEL	☒	☐
COFFEE SHOP	☐	☐
CRAFT ROOMS	☒	☐
EXERCISE ROOM	☒	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☒	☐
PUTTING GREEN	☐	☐
SHUFFLEBOARD	☐	☐
SPA	☐	☐
SWIMMING POOL-INDOOR	☐	☐
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☐	☐
WORKSHOP	☒	☐
OTHER________	☐	☐

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	4	
NUMBER OF MEALS/DAY	1 or 3	
SPECIAL DIETS AVAILABLE	Yes	
24-HOUR EMERGENCY RESPONSE	☒	☐
ACTIVITIES PROGRAM	☒	☐
ALL UTILITIES EXCEPT PHONE	☒	☐
APARTMENT MAINTENANCE	☒	☐
CABLE TV	☐	☒
LINENS FURNISHED	☒	☐
LINENS LAUNDERED	☒	☐
MEDICATION MANAGEMENT	☒	☐
NURSING/WELLNESS CLINIC	☒	☐
PERSONAL NURSING/HOME CARE	☒	☐
TRANSPORTATION-PERSONAL	☒	☐
TRANSPORTATION-PREARRANGED	☒	☐
OTHER________	☐	☐
	☐	☐

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: NCPHS

	2009	2010	2011	2012
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	$56,369	$62,097	$62,699	$65,484
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	63,745	66,065	69,467	71,408
NET INCOME FROM OPERATIONS	(7,376)	(3,968)	(6,768)	(5,924)
LESS INTEREST EXPENSE	$2,398	$2,693	$2,399	$2,293
PLUS CONTRIBUTIONS	2,382	2,433	1,595	2,094
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	14,437	1,752	(13,171)	3,685
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$7,045	($2,476)	($20,743)	($2,438)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$13,351	$22,394	$16,977	$23,067

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CHFFA Bonds	$36,100,000	Variable	2004	2034	30
CHFFA Bonds	$17,940,000	5.1-5.4%	1998	2028	30
HUD	$3,480,531	6.9%	1980	2020	40
HUD	$208,416	1.0%	1973	2013	40
HUD	$1,137,434	1.0%	1994	2013	-

FINANCIAL RATIOS (see next page for ratio formulas

	2011 CCAC Medians 50th Percentile *(optional)*	2010	2011	2012
DEBT TO ASSET RATIO		33.90%	32.08%	29.40%
OPERATING RATIO		108.83%	112.50%	111.60%
DEBT SERVICE COVERAGE RATIO		3.02	2.97	3.81
DAYS CASH-ON-HAND RATIO		259.42	246.59	263.54

HISTORICAL MONTHLY SERVICE FEES

AVERAGE FEE AND PERCENT CHANGE

	2009	%	2010	%	2011	%	2012	%
STUDIO	3,178	6.0	3,336	5.0	3,434	2.9	3,537	3.0
ONE BEDROOM	3,573	6.2	3,750	5.0	3,859	2.9	3,980	3.1
TWO BEDROOM	6,025	5.7	6,300	4.6	6,482	2.9	6,682	3.1
COTTAGE/HOUSE								
ASSISTED LIVING								
SKILLED NURSING								
SPECIAL CARE								

COMMENTS FROM PROVIDER:

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4/10/12

FACILITY NAME: Sequoias – Portola Valley
ADDRESS: 501 Portola Road, Portola Valley, CA ZIP CODE: 94028 PHONE: 650-851-1501
PROVIDER NAME: NCPHS FACILITY OPERATOR: NCPHS
RELATED FACILITIES: 6 RELIGIOUS AFFILIATION: Presbyterian
YEAR OPENED: 1961 NO. OF ACRES: 42 MULTI-STORY: ___ SINGLE STORY: X BOTH: ___
MILES TO SHOPPING CTR: 4 MILES TO HOSPITAL: 6.2

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	24	ASSISTED LIVING	26
APARTMENTS – 1 BDRM	119	SKILLED NURSING	47
APARTMENTS – 2 BDRM	64	SPECIAL CARE	18
COTTAGES/HOUSES	2	DESCRIBE SPECIAL CARE:	Memory/Dementia Care
% OCCUPANCY AT YEAR END	94.7%		

TYPE OF OWNERSHIP: ☒ NOT FOR PROFIT ☐ FOR PROFIT ACCREDITED: ☒ Y ☐ N BY: CCAC

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: $92,900 TO $1,334,100 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: All except Rx, dental, glasses, podiatry, psychiatry, and specified others

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

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☐	☒
BILLIARD ROOM	☒	☐
BOWLING GREEN	☒	☐
CARD ROOMS	☒	☐
CHAPEL	☐	☐
COFFEE SHOP	☐	☐
CRAFT ROOMS	☒	☐
EXERCISE ROOM	☒	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☒	☐
PUTTING GREEN	☒	☐
SHUFFLEBOARD	☒	☐
SPA	☒	☐
SWIMMING POOL-INDOOR	☒	☐
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☐	☐
WORKSHOP	☒	☐
OTHER__Resident garden______	☒	☐

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	4	
NUMBER OF MEALS/DAY	1 or 3	
SPECIAL DIETS AVAILABLE	Yes	
24-HOUR EMERGENCY RESPONSE	☒	☐
ACTIVITIES PROGRAM	☒	☐
ALL UTILITIES EXCEPT PHONE	☒	☐
APARTMENT MAINTENANCE	☒	☐
CABLE TV - BASIC	☒	☐
LINENS FURNISHED	☒	☐
LINENS LAUNDERED	☒	☐
MEDICATION MANAGEMENT	☒	☐
NURSING/WELLNESS CLINIC	☒	☐
PERSONAL NURSING/HOME CARE	☒	☐
TRANSPORTATION-PERSONAL	☒	☐
TRANSPORTATION-PREARRANGED	☒	☐
OTHER__________________	☐	☐
	☐	☐

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PROVIDER NAME: NCPHS

CCRCs	LOCATION (City, State)	PHONE (with area code)
Sequoias – San Francisco*	San Francisco, CA	415-922-9700
Sequoias – Portola Valley*	Portola Valley, CA	650-851-1501
Tamalpais*	Greenbrae, CA	415-461-2300

MULTI-LEVEL RETIREMENT COMMUNITIES

The Woods	Little River, CA	707-937-0294

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

Western Park Apartments	San Francisco, CA	415-922-5436
Eastern Park Apartments	San Francisco, CA	415-776-0114
Town Park Towers	San Jose, CA	408-288-8750

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: **NCPHS**

	2009	2010	2011	2012
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	$56,369	$62,097	$62,699	$65,484
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	63,745	66,065	69,467	71,408
NET INCOME FROM OPERATIONS	(7,376)	(3,968)	(6,768)	(5,924)
LESS INTEREST EXPENSE	$2,398	$2,693	$2,399	$2,293
PLUS CONTRIBUTIONS	2,382	2,433	1,595	2,094
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	14,437	1,752	(13,171)	3,685
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$7,045	($2,476)	($20,743)	($2,438)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$13,351	$22,394	$16,977	$23,067

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CHFFA Bonds	$36,100,000	Variable	2004	2034	30
CHFFA Bonds	$17,940,000	5.1-5.4%	1998	2028	30
HUD	$3,480,531	6.9%	1980	2020	40
HUD	$208,416	1.0%	1973	2013	40
HUD	$1,137,434	1.0%	1994	2013	-

FINANCIAL RATIOS (see next page for ratio formulas)

	2011 CCAC Medians 50th Percentile *(optional)*	2010	2011	2012
DEBT TO ASSET RATIO		33.90%	32.08%	29.40%
OPERATING RATIO		108.83%	112.50%	111.60%
DEBT SERVICE COVERAGE RATIO		3.02	2.97	3.81
DAYS CASH-ON-HAND RATIO		259.42	246.59	263.54

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2009	%	2010	%	2011	%	2012	%
STUDIO	3,049	5.7	3,216	5.5	3,307	2.8	3,405	3.0
ONE BEDROOM	3,721	5.8	3,920	5.4	4,030	2.8	4,150	3.0
TWO BEDROOM	6,554	5.5	6,908	5.4	7,115	3.0	7,332	3.0
COTTAGE/HOUSE								
ASSISTED LIVING								
SKILLED NURSING								
SPECIAL CARE								

COMMENTS FROM PROVIDER:

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4/10/12

FACILITY NAME: Tamalpais
ADDRESS: 501 Via Casitas, Greenbrae, CA ZIP CODE: 94904 PHONE: 415-461-2300
PROVIDER NAME: NCPHS FACILITY OPERATOR: NCPHS
RELATED FACILITIES: 6 RELIGIOUS AFFILIATION: Presbyterian
YEAR OPENED: 1969 NO. OF ACRES: 6 MULTI-STORY: X SINGLE STORY: ___ BOTH: ___
MILES TO SHOPPING CTR: Less than 1 mile MILES TO HOSPITAL: Less than 1 mile

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	89	ASSISTED LIVING	17
APARTMENTS – 1 BDRM	97	SKILLED NURSING	48
APARTMENTS – 2 BDRM	51	SPECIAL CARE	0
COTTAGES/HOUSES	0	DESCRIBE SPECIAL CARE:	N/A
% OCCUPANCY AT YEAR END	93.3%		

TYPE OF OWNERSHIP: ☒ NOT FOR PROFIT ☐ FOR PROFIT ACCREDITED: ☒ Y ☐ N BY: CARF/CCAC

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: $86,300 TO $582,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: All except Rx, dental, glasses, podiatry, psychiatry, and specified others

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

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☐	☒
BILLIARD ROOM	☒	☐
BOWLING GREEN	☒	☐
CARD ROOMS	☒	☐
CHAPEL	☐	☐
COFFEE SHOP	☒	☐
CRAFT ROOMS	☒	☐
EXERCISE ROOM	☒	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☒	☐
PUTTING GREEN	☒	☐
SHUFFLEBOARD	☒	☐
SPA	☒	☐
SWIMMING POOL-INDOOR	☒	☐
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☐	☐
WORKSHOP	☒	☐
OTHER Resident Garden	☒	☐

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	4	
NUMBER OF MEALS/DAY	1 or 3	
SPECIAL DIETS AVAILABLE	Yes	
24-HOUR EMERGENCY RESPONSE	☒	☐
ACTIVITIES PROGRAM	☒	☐
ALL UTILITIES EXCEPT PHONE	☒	☐
APARTMENT MAINTENANCE	☒	☐
CABLE TV	☒	☐
LINENS FURNISHED	☒	☐
LINENS LAUNDERED	☒	☐
MEDICATION MANAGEMENT	☒	☐
NURSING/WELLNESS CLINIC	☒	☐
PERSONAL NURSING/HOME CARE	☒	☐
TRANSPORTATION-PERSONAL	☒	☐
TRANSPORTATION-PREARRANGED	☒	☐
OTHER ________	☐	☐
	☐	☐

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PROVIDER NAME: NCPHS

CCRCs	LOCATION (City, State)	PHONE (with area code)
Sequoias – San Francisco*	San Francisco, CA	415-922-9700
Sequoias – Portola Valley*	Portola Valley, CA	650-851-1501
Tamalpais*	Greenbrae, CA	415-461-2300

MULTI-LEVEL RETIREMENT COMMUNITIES

The Woods	Little River, CA	707-937-0294

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

Western Park Apartments	San Francisco, CA	415-922-5436
Eastern Park Apartments	San Francisco, CA	415-776-0114
Town Park Towers	San Jose, CA	408-288-8750

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: NCPHS

	2009	2010	2011	2012
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	$56,369	$62,097	$62,699	$65,484
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	63,745	66,065	69,467	71,408
NET INCOME FROM OPERATIONS	(7,376)	(3,968)	(6,768)	(5,924)
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PLUS CONTRIBUTIONS	2,382	2,433	1,595	2,094
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	14,437	1,752	(13,171)	3,685
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NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$13,351	$22,394	$16,977	$23,067

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
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CHFFA Bonds	$17,940,000	5.1-5.4%	1998	2028	30
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HUD	$208,416	1.0%	1973	2013	40
HUD	$1,137,434	1.0%	1994	2013	-

FINANCIAL RATIOS (see next page for ratio formulas)

	2011 CCAC Medians 50th Percentile *(optional)*	2010	2011	2012
DEBT TO ASSET RATIO		33.90%	32.08%	29.40%
OPERATING RATIO		108.83%	112.50%	111.60%
DEBT SERVICE COVERAGE RATIO		3.02	2.97	3.81
DAYS CASH-ON-HAND RATIO		259.42	246.59	263.54

HISTORICAL MONTHLY SERVICE FEES

AVERAGE FEE AND PERCENT CHANGE

	2009	%	2010	%	2011	%	2012	%
STUDIO	2,886	6.1	3,038	5.3	3,126	2.9	3,219	3.0
ONE BEDROOM	3,695	6.4	3,897	5.5	4,007	2.8	4,128	3.0
TWO BEDROOM	6,400	6.0	6,730	5.2	6,930	3.0	7,142	3.1
COTTAGE/HOUSE								
ASSISTED LIVING								
SKILLED NURSING								
SPECIAL CARE								

COMMENTS FROM PROVIDER:

PROVIDER NAME: NCPHS

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

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

DAYS CASH ON HAND RATIO

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

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.

Part 7

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	$3,005-8,733	$3,005-8,733	$3,005-8,733
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	2.98%	2.98%	2.98%

☐ 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: April 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: Northern California Presbyterian Homes & Services, Inc.
COMMUNITY: Sequoias – San Francisco

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

Explanation: Sequoias – San Francisco

Monthly care fee increases averaging 2.98% were implemented on April 1, 2012.

Departmental operating expenses were budgeted to increase by 2.74% over the prior year and was the primary reason for the monthly care fee increase. Increases in employee wages and benefits were the main reason for the increase in expenses. The monthly fee increase also includes a provision to improve the financial performance of the Sequoias – San Francisco.

FORM 7-1

REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	$3,307-9,080	$3,307-9,080	$3,307-9,080
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	2.89%	2.89%	2.89%

☐ 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: April 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: Northern California Presbyterian Homes & Services, Inc.
COMMUNITY: Sequoias – Portola Valley

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

Explanation: Sequoias – Portola Valley

Monthly care fees were increased an average of 2.89% effective April 1, 2012.

Departmental operating expenses were budgeted to increase 8.23% in 2012 over the prior year. This large increase in expense was offset in part by a projected increase in fee for service revenue so that the net increase in operating expenses to be covered by monthly fee was 3.5%. Increases in employee wages and benefits was a significant part of the increase in expenses.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	$3,126-7,504	$3,126-7,504	$3,126-7,504
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	2.98%	2.98%	2.98%

☐ 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: April 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: Northern California Presbyterian Homes & Services, Inc.
COMMUNITY: Tamalpais

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

Explanation: Tamalpais

Monthly care fees for Tamalpais were increased an average of 2.98% effective April 1, 2012.

Departmental expenses for the Tamalpais were budgeted to increase by 2.87% over the prior year and was the main reason for the increase in monthly care fees. Increases in employee wages and benefits was the main reason for the increase in monthly care fees. The monthly care fee increase also includes a provision to improve the financial performance of the Tamalpais.

Part 8

KEY INDICATORS REPORT

Date Prepared: 4/4/2013

Barbara E. Hood

Chief Executive Officer Signature

Northern California Presbyterian Homes & Services

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

						Projected	Forecast				
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	See next page										N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	-19.69%	-15.97%	-9.84%	-9.06%	-13.66%	-9.20%	-7.27%	-5.67%	-5.35%	-5.42%	↑
3. Net Operating Margin - Adjusted (%)	8.63%	6.58%	20.39%	14.59%	15.56%	14.83%	16.31%	17.28%	17.20%	16.80%	↑
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	$42,008	$44,227	$49,098	$47,337	$53,706	$54,532	$65,791	$69,132	$77,930	$87,141	↑
5. Days Cash on Hand (Unrestricted)	237	243	259	247	264	265	307	314	345	375	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000)	$85,298	$91,621	$98,927	$106,471	$112,568	$117,190	$122,169	$127,117	$131,740	$135,997	N/A
7. Net Annual E/F proceeds ($000)	$16,062	$13,355	$22,951	$17,178	$21,948	$18,800	$19,740	$20,332	$20,628	$20,837	N/A
8. Unrestricted Net Assets ($000)	-$21,435	-$11,008	-$9,214	-$25,563	-$21,296	-$21,042	-$19,913	-$16,727	-$12,806	-$7,645	N/A
9. Annual Capital Asset Expenditure ($000)	$14,948	$6,603	$11,485	$11,679	$11,548	$12,758	$14,010	$14,291	$9,580	$9,879	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	-1.47	-1.18	-0.25	-0.45	-0.75	-0.22	-0.43	-0.18	-0.13	-0.11	↑
11. Annual Debt Service Coverage (x)	1.76	1.52	3.02	2.97	3.81	3.47	3.18	3.54	3.65	3.73	↓
12. Annual Debt Service/Revenue (%)	7.48%	7.69%	6.73%	6.77%	6.36%	6.19%	6.21%	5.91%	5.69%	5.49%	↑
13. Average Annual Effective Interest Rate (%)	3.68%	3.52%	4.22%	3.80%	3.77%	4.23%	4.50%	4.49%	4.48%	4.46%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	63.54%	69.27%	80.14%	80.43%	97.14%	103.18%	109.02%	119.76%	141.71%	167.15%	↑
15. Average Age of Facility (years)	11.27	12.96	13.34	14.26	14.45	13.46	13.32	13.08	13.12	13.76	↑

KEY INDICATORS REPORT

Date Prepared: 4/4/2013

Northern California Presbyterian Homes & Services

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

						Projected	Forecast				
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)											N/A
Seqouias - San Francisco	88%	87%	86%	86%	87%	89%	91%	93%	93%	93%	
Sequoias - Protola Valley	86%	83%	88%	89%	88%	88%	90%	92%	92%	92%	
Tamalpais	94%	93%	95%	92%	91%	88%	90%	92%	92%	92%	

NORTHERN CALIFORNIA PRESBYTERIAN HOMES & SERVICES, INC.

Key Indicators Report - Management Discussion
December 31, 2012

Margin profitability indicators

Although the net operating margin ratio declined in 2012 over 2011 the decline was relatively small and the overall performance of the organization when all revenues and expenses are included improved over 2011. The 2012 net operating margin was negatively impacted by a large increase in pension expense caused by a poor investment performance and a significant decrease in interest rates in 2011. Without the impact of this pension expense increase, this profitability indicator would have improved. NCPHS amended its pension program in 2012 to mitigate the impact of its pension plan on future operations.

Liquidity indicators

The investment markets performed well in 2012 resulting in an increase in marketable securities. Proceeds from entrance fee resale were also better than expected improving cash balances. As a result, NCPHS's liquid assets increased relative to outstanding debt improving this ratio.

Capital structure indicators

NCPHS's capital structure ratios improved in 2012. The factors mentioned in the previous section resulted in increased assets relative to debt and an improvement in debt to equity. The increase in cash flow provided some cash for debt service and resulted in an increase in debt service coverage. These indicators continue to be strong for NCPHS.