

**San Francisco Ladies' Protection and Relief Society
(dba The Heritage)**

ANNUAL REPORT

December 31, 2012

ANNUAL REPORT CHECKLIST

for
FISCAL YEAR ENDED:
December 31, 2012

PROVIDER: San Francisco Ladies Protection and Relief Society

FACILITY(IES): The Heritage

CONTACT PERSON: Joseph Conroy, Controller

TELEPHONE NO.: (415) 202-0300

EMAIL: JConroy@heritagesf.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: \$7,856

✓ If applicable, late fee in the amount of: \$ N/A

✓ 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. (total of four (4) copies to be included)

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report. (4 copies total)

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	94
[2]	Number at end of fiscal year	90
[3]	Total Lines 1 and 2	184
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	92
All Residents		
[6]	Number at beginning of fiscal year	104
[7]	Number at end of fiscal year	101
[8]	Total Lines 6 and 7	205
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	102.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.90

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses	\$9,221,005
[a]	Depreciation	\$468,028
[b]	Debt Service (Interest Only)	\$0
[2]	Subtotal (add Line 1a and 1b)	\$468,028
[3]	Subtract Line 2 from Line 1 and enter result.	\$8,752,977
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	90%
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	\$7,856,331
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$7,856

PROVIDER: San Francisco Ladies' Protection and Relief Society
COMMUNITY: The Heritage



CERTIFICATE OF LIABILITY INSURANCE

284859

DATE (MM/DD/YYYY)
7/12/2012

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

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Commercial Lines - 707-769-2800 Wells Fargo Insurance Services USA, Inc. - CA Lic#: 0D08408 1039 A N. McDowell Blvd Petaluma, CA 94954	CONTACT NAME: PHONE (A/C, No. Ext): E-MAIL: ADDRESS:		FAX (A/C, No):
	INSURER(S) AFFORDING COVERAGE		NAIC #
INSURED The Heritage 3400 Laguna Street San Francisco CA 94123	INSURER A: Hartford Fire Insurance Co.		19682
	INSURER B:		
	INSURER C:		
	INSURER D:		
	INSURER E:		
	INSURER F:		

COVERAGES **CERTIFICATE NUMBER: 4618280** **REVISION NUMBER: See below**

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

INER LTR	TYPE OF INSURANCE	ADJ. SUBR. INSR. WORD	POLICY NUMBER	POLICY EFF. (MM/DD/YYYY)	POLICY EXP. (MM/DD/YYYY)	LIMITS
	GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GENL AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC					EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMPROP AGG \$ \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS					COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$					EACH OCCURRENCE \$ AGGREGATE \$ \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) <input type="checkbox"/> Y/N If yes, describe under DESCRIPTION OF OPERATIONS below	N/A				WC STATUTORY LIMITS OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	Employee Dishonesty		57UUMUO4825	07/10/2012	07/10/2013	\$250,000 \$1,000 Ded

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

Evidence of Coverage

CERTIFICATE HOLDER

Evidence of Coverage

CANCELLATION

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

AUTHORIZED REPRESENTATIVE

James S. Smith

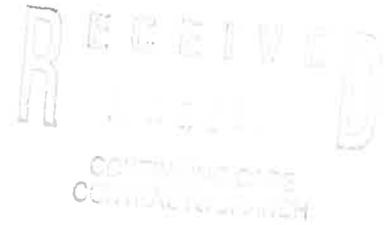
**San Francisco Ladies' Protection and Relief Society
(dba The Heritage)**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

December 31, 2012 and 2011

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	5
STATEMENTS OF ACTIVITIES	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	9
SUPPLEMENTAL INFORMATION	
SCHEDULES OF OPERATING EXPENSES	21

**INDEPENDENT AUDITORS' REPORT**

Board of Directors
San Francisco Ladies' Protection
and Relief Society (dba The Heritage)

We have audited the accompanying financial statements of San Francisco Ladies' Protection and Relief Society (dba The Heritage) (the Society), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Francisco Ladies' Protection and Relief Society (dba The Heritage) as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Operating Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

DZH Phillips LLP

San Francisco, California
March 25, 2013

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

ASSETS		
	2012	2011
Cash	\$ 321,208	\$ 338,453
Accounts receivable		
Public Nutrition Program	62,900	77,569
Residents	9,154	9,179
Prepaid expenses	181,894	185,512
Investments	67,529,640	63,857,347
Real estate investments - net	2,010,114	1,863,236
Property and equipment - net	4,647,660	4,337,679
Other assets		
Custodian funds	2,831	7,702
Other	2,524	2,524
Total other assets	5,355	10,226
Total assets	\$ 74,767,925	\$ 70,679,201
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 406,669	\$ 379,830
Accrued salaries and other expenses	439,613	393,217
Custodian funds	1,600	6,476
Unamortized entrance fees - net	3,995,181	3,938,488
Total liabilities	4,843,063	4,718,011
Net assets		
Unrestricted	69,242,827	65,334,297
Temporarily restricted	182,035	126,893
Permanently restricted	500,000	500,000
Total net assets	69,924,862	65,961,190
Total liabilities and net assets	\$ 74,767,925	\$ 70,679,201

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

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

STATEMENTS OF ACTIVITIES

Years ended December 31, 2012 and 2011

	2012	2011
Changes in unrestricted net assets:		
Operating revenue:		
Resident monthly fees	\$ 2,928,575	\$ 2,846,247
Entrance fee amortization	663,069	712,485
Private patient fees	1,188,269	1,098,509
Public nutrition program revenue	811,634	882,517
Guest charges	37,402	29,121
Other income	35,420	97,407
Total operating revenue	5,664,369	5,666,286
Operating expenses:		
Resident services	7,851,715	7,180,143
Public Nutrition Program	901,262	928,217
Depreciation	468,028	421,995
Total operating expenses	9,221,005	8,530,355
Loss from operations	(3,556,636)	(2,864,069)
Other income (expense) - net:		
Dividends and interest	2,526,827	1,734,887
Net gain (loss) on investments	5,101,339	(3,246,395)
Investment management fee	(330,027)	(342,778)
Expenses related to real estate investment	(38,181)	(42,867)
Donations and bequests	61,990	245,384
Other	43,509	37,897
Total other income (expense) - net	7,365,457	(1,613,872)
Net assets released from restrictions	95,464	19,390
Change in unrestricted net assets	3,904,285	(4,458,551)
Changes in temporarily restricted net assets:		
Donations and bequests	91,861	35,880
Dividends and interest	11,288	11,562
Net gain (loss) on investments	54,373	(25,237)
Investment management fee	(2,671)	(2,793)
Net assets released from restrictions	(95,464)	(19,390)
Change in temporarily restricted net assets	59,387	22
Change in net assets	3,963,672	(4,458,529)
Total net assets - beginning of year	65,961,190	70,419,719
Total net assets - end of year	\$ 69,924,862	\$ 65,961,190

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

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

STATEMENTS OF CASH FLOWS

Years ended December 31, 2012 and 2011

	2012	2011
Cash flows provided by (used in) operating activities:		
Resident fees	\$ 2,928,600	\$ 2,841,124
Proceeds from new entrance fees - net of refunds	719,762	1,330,000
Private patient fees	1,188,269	1,098,509
Public nutrition program - net	(74,959)	(49,693)
Donations and bequests	153,851	281,264
Interest and dividend income	833,984	1,746,449
Expenses on real estate investment	(38,181)	(42,867)
Other cash receipts	116,331	164,425
Cash paid for salaries and related expense	(5,985,461)	(5,553,512)
Cash paid to suppliers	(2,122,104)	(2,069,138)
Cash paid for grants	-	(17,500)
Net cash used in operating activities	(2,279,908)	(270,939)
Cash flows provided by (used in) investing activities:		
Payments for purchases of investment securities	(12,125,937)	(19,557,314)
Proceeds from sales of investment securities	15,313,487	20,855,068
Additions to property and equipment	(924,887)	(824,213)
Net cash provided by investing activities	2,262,663	473,541
Net increase (decrease) in cash	(17,245)	202,602
Cash - beginning of year	338,453	135,851
Cash - end of year	\$ 321,208	\$ 338,453

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

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2012 and 2011

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

	2012	2011
Cash flows provided by (used in) operating activities:		
Change in net assets	\$ 3,963,672	\$ (4,458,529)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	468,028	421,995
Entrance fee amortization - net	(663,069)	(712,485)
Realized and unrealized net (gains) losses on investments	(5,155,712)	3,271,632
Interest and dividends reinvested - net of fees	(1,704,131)	-
Changes in operating assets and liabilities:		
Accounts receivable	14,694	(9,116)
Prepaid expenses	3,618	11,777
Accounts payable and accrued expenses	73,230	(108,713)
Grants payable	-	(17,500)
Proceeds from new entrance fees - net of refunds	719,762	1,330,000
Net cash used in operating activities	\$ (2,279,908)	\$ (270,939)

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

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Francisco Ladies' Protection and Relief Society (dba The Heritage) (the Society), which was formed in 1853, is a nonprofit California corporation. The Society owns and operates The Heritage in San Francisco, California, a life care residence for the elderly.

Basis of accounting

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

Net assets and changes therein are classified as follows:

- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that are to be maintained in perpetuity by the Society.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met by actions of the Society and/or the passage of time, as well as earnings from permanently restricted net assets of the Society.
- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.

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

Use of estimates

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

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

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2012 and 2011

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

Investments

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

Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities. Realized gains and losses are computed using the first-in, first-out method.

Real estate investments

The Society owns other investments consisting of real property adjacent to the facilities. Real estate investments are recorded at cost or appraised value at time of acquisition, net of accumulated depreciation.

Fair value of financial instruments

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

Concentrations of credit risk

The Society maintains its cash balances at financial institutions located in San Francisco, California. At various times, the Society has maintained cash balances in excess of insured amounts.

Property and equipment

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

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

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

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2012 and 2011

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

Public Nutrition Program

The Society operates a kitchen and provides prepared meals in connection with a meal delivery program for senior citizens under the direction of an independent nonprofit organization, Self Help for the Elderly, San Francisco, California. The Society is reimbursed by Self Help for the Elderly on the basis of meals provided.

Entrance fees

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

Entrance fees are recognized as revenue on a straight-line basis over the expected remaining life of the residents as recomputed actuarially at the end of each year.

The resident agreement provides for the right to a full refund upon termination for up to 90 days from the date of the agreement. Thereafter, a proportionate refund is provided to the resident upon termination for a period of approximately 67 months from the date of the agreement. The maximum amount of potential refund obligations under existing agreements at December 31, 2012 and 2011 amounted to \$1,852,400 and \$2,662,958, respectively.

Statutory reserve requirements and obligation to provide future services

The Society is required to meet certain annual reserve requirements required by the California Department of Social Services to help assure adequate resources are available to provide for the lifetime welfare of the residents. At December 31, 2012 and 2011, the Society was in compliance with such requirements.

The Society is also required to record a liability recognizing an obligation to provide future services and the use of facilities to all current residents if the Society is not in actuarial balance. Actuarial balance occurs when the present value of future net cash out-flows, adjusted for certain non-cash items, is less than or equal to the present value of future net cash in-flows. The Society makes this calculation on an annual basis and was in actuarial balance for the years ended December 31, 2012 and 2011. The discount rate used in the calculations for the years ended December 31, 2012 and 2011 was 4%.

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2012 and 2011

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

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

The Society is required to have an actuarial study done every five years. The latest study, dated December 31, 2009, indicated that the Society was in actuarial balance, assuming that future investment returns are sufficient to fund operating deficits.

Income taxes

The Society is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d (or other states and code sections, as relevant). Accordingly, it has not provided for income taxes in these financial statements.

Effective February 2004, the Society became an exempt private operating foundation as defined in Section 4940(d)(2) of the Internal Revenue Code. Accordingly, the Society is exempt from the 2% excise tax imposed on the net investment income of exempt private foundations. Certain other income and support tests must be met each year in order to remain exempt and management believes the Society continues to meet these tests as of December 31, 2012 and 2011.

Each year, management considers whether the Society has engaged in any activities that could affect the Society's income tax status or result in taxable income. Management believes that any positions the Society has taken are supported by substantial authority and would more likely than not be sustained upon examination by the applicable taxing authority. Accordingly there are no potential tax liabilities to be recorded or disclosed in the financial statements. Tax returns for years subsequent to December 31, 2008 are subject to examination by federal and state tax authorities.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements. There has been no effect to the change in net assets for the year ending December 31, 2011.

Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through March 25, 2013, which represents the date the financial statements were available to be issued. Management has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2012 and 2011

NOTE B - UNAMORTIZED ENTRANCE FEES

Unamortized entrance fees had the following activity for the years ended December 31, 2012 and 2011:

	2012	2011
Balance - beginning of year	\$ 3,938,488	\$ 3,320,973
New entrance fees	875,000	1,330,000
	<u>4,813,488</u>	<u>4,650,973</u>
Less refunds paid	155,238	-
Less amortization included in operating revenue:		
Regular	561,663	562,425
Deaths	101,406	150,060
	<u>663,069</u>	<u>712,485</u>
Balance - end of year	<u>\$ 3,995,181</u>	<u>\$ 3,938,488</u>

NOTE C - REAL ESTATE INVESTMENTS

Investments held in real estate at December 31, 2012 and 2011 consist of the following:

	2012	2011
Land	\$ 633,276	\$ 633,276
Buildings	1,290,338	1,290,338
	1,923,614	1,923,614
Less accumulated depreciation	<u>(195,019)</u>	<u>(162,301)</u>
	1,728,595	1,761,313
Projects in progress	281,519	101,923
	<u>\$ 2,010,114</u>	<u>\$ 1,863,236</u>

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2012 and 2011

NOTE C - REAL ESTATE INVESTMENTS (continued)

The investment in real estate consists of two flats, one with two rental units and one with four rental units adjacent to the main facility. As of December 31, 2012, the units were vacant. A renovation contract was signed on December 22, 2012 to provide future residences for the elderly as determined by the Society's Board of Directors. Actual renovation commenced subsequent to December 31, 2012. The renovation costs are expected to total approximately \$1.6 million and the project is slated to be completed by August 2013.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2012 and 2011 consists of the following:

	2012	2011
Land	\$ 99,535	\$ 99,535
Land improvements	84,423	63,607
Building and improvements	8,240,011	7,692,368
Equipment and furnishings	3,510,981	3,398,347
	11,934,950	11,253,857
Less accumulated depreciation	(7,354,291)	(6,918,978)
	4,580,659	4,334,879
Projects in progress	67,001	2,800
	\$ 4,647,660	\$ 4,337,679

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2012 and 2011

NOTE E - INVESTMENTS

Cost and market values of investments as of December 31, 2012 and 2011 are as follows:

	<u>Cost</u>	<u>Market value</u>	<u>Unrealized gain (loss)</u>
<u>December 31, 2012</u>			
Equity securities	\$ 23,840,826	\$ 26,583,553	\$ 2,742,727
Fixed income mutual funds	18,760,240	19,781,017	1,020,777
International business trusts	18,491,758	20,002,705	1,510,947
Cash held for investment	1,162,365	1,162,365	-
	<u>\$ 62,255,189</u>	<u>\$ 67,529,640</u>	<u>\$ 5,274,451</u>
 <u>December 31, 2011</u>			
Equity securities	\$ 24,861,322	\$ 25,664,593	\$ 803,271
Fixed income mutual funds	19,240,122	19,939,772	699,650
International business trusts	20,453,249	17,687,918	(2,765,331)
Cash held for investment	565,064	565,064	-
	<u>\$ 65,119,757</u>	<u>\$ 63,857,347</u>	<u>\$ (1,262,410)</u>

Net gains (losses) on investments consisted of the following for the years ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Realized gain on sale of investments	\$ 2,086,709	\$ 714,520
Unrealized gain (loss) on investments	3,069,003	(3,986,152)
	<u>\$ 5,155,712</u>	<u>\$ (3,271,632)</u>
 Classified in the statement of activities as follows:		
Unrestricted net assets	\$ 5,101,339	\$ (3,246,395)
Temporarily restricted net assets	54,373	(25,237)
	<u>\$ 5,155,712</u>	<u>\$ (3,271,632)</u>

Cash withdrawn from marketable investment securities to fund current operations totaled \$3,688,837 and \$2,698,632 in 2012 and 2011, respectively.

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2012 and 2011

NOTE F - FAIR VALUE MEASUREMENTS

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

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

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

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

All of the Society's investments are classified as Level 1 except for its international business trusts which are classified as Level 2 at December 31, 2012 and 2011.

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

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2012 and 2011

NOTE G - RESTRICTED NET ASSETS

Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2012 and 2011, consist of the following:

	2012	2011
The Arts Fund	\$ 12,310	\$ 9,134
Grace and Favor program	57,660	46,795
Employee Appreciation Fund	1,018	-
Out and About program	88,756	50,244
Gorman Fund	22,291	17,210
Other	-	3,510
	<u>\$ 182,035</u>	<u>\$ 126,893</u>

Endowment fund

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

The Society is subject to the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) governing endowments. The Society has interpreted this law as requiring the preservation of the fair value of the original gift as of the date of the gift. Accordingly, the Society classified the original value of the gift as permanently restricted. Earnings from the donor restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed under the law.

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

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

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2012 and 2011

NOTE G - RESTRICTED NET ASSETS (continued)

Endowment fund (continued)

The Society's annual spending rate from the endowment is determined annually at no more than half the rolling average rate-of-return over a period of not less than three years, or half of the average rate of return since inception if less than three years, calculated quarterly.

Changes in endowment net assets for the years ended December 31, 2012 and 2011 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - December 31, 2010	\$ 73,586	\$ 500,000	\$ 573,586
Contributions	10,000	-	10,000
Investment return:			
Interest & dividends	11,562	-	11,562
Net realized & unrealized loss - net of fees	(28,030)	-	(28,030)
Total investment return	(16,468)	-	(16,468)
Appropriated for expenditure	(16,874)	-	(16,874)
Endowment net assets - December 31, 2011	50,244	500,000	550,244
Investment return:			
Interest & dividends	11,288	-	11,288
Net realized & unrealized gain - net of fees	51,702	-	51,702
Total investment return	62,990	-	62,990
Appropriated for expenditure	(24,478)	-	(24,478)
Endowment net assets - December 31, 2012	\$ 88,756	\$ 500,000	\$ 588,756

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2012 and 2011

NOTE H - RETIREMENT PLANS

On January 1, 2012, the Society combined the prior Money Purchase Pension Plan and 401(k) Retirement Plan into one single 401(k) Plan which includes voluntary 401(k) deductions, a voluntary after-tax Roth 401(k) and a non-elective company contribution based on eligibility and earnings. All prior participant accounts became fully vested at the date of the new Plan. The Plans are described below for the years ended December 31, 2012 and 2011. Participation in the 401(k) Plan is available to eligible employees after 90 days.

401(k) Plan

The Plan, effective January 1, 2012, is available to eligible employees, twenty-one years and older, with one year of service. The Society makes non-elective Safe Harbor contributions to the Plan of 4% of eligible compensation. Employees who were participants in a terminated defined benefit plan received additional contributions according to an age-weighted schedule and must meet an annual hour per year requirement for the age-weighted portion of their benefit.

All contributions are sent to Prudential Retirement Services where each employee has his/her own self-directed account. Earnings accumulate on a tax-deferred basis. The Society's contributions to the 401(k) Plan for the year ended December 31, 2012 amounted to \$204,144.

Money Purchase Pension Plan and 401(k) Retirement Plan

The Money Purchase Pension Plan was available to all eligible employees, employed December 31, 2011 or earlier, with one year of service having attained the age of twenty-one. The Plan generally provided for annual employer contributions of 4% of eligible compensation. However, contributions for participants in a prior terminated defined benefit pension plan were based on age-weighted calculations. Employer contributions to the Plan vested 100% upon three years of service, attaining normal retirement date, or the death or disability of the employee. Employer contributions to the Money Purchase Pension Plan for the years ended December 31, 2012 and 2011 amounted to \$0 and \$194,285, respectively.

NOTE I - OTHER DISCLOSURES

In accordance with the requirements of the California Department of Social Services, the Society is required to disclose all amounts accumulated for contingencies or accumulated or expended for identified projects or purposes. At December 31, 2012, the Society has not accumulated any funds for contingencies. As discussed in Note C to the financial statements, the Society has set aside approximately \$1.6 million as of December 31, 2012 to fund renovations to real estate currently held for investment purpose.

SUPPLEMENTAL INFORMATION

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

SCHEDULES OF OPERATING EXPENSES

Years ended December 31, 2012 and 2011

	2012	2011
Food Service:		
Salaries and wages	\$ 720,724	\$ 665,474
Employee benefits	264,243	258,783
House supplies	26,383	29,236
Repairs and maintenance	35,544	23,331
Food purchases	374,454	335,845
Contract maintenance	13,912	4,460
Management fees	43,747	41,722
Miscellaneous	2,570	1,467
Allocation of expenses to Health Center	(368,514)	(338,398)
	1,113,063	1,021,920
 Housekeeping and Maintenance of Building and Grounds:		
Salaries and wages	475,745	424,185
Employee benefits	192,524	169,097
Household supplies	33,871	42,051
Repairs and maintenance of furnishings	27,916	33,317
Buildings and equipment repairs and maintenance	53,032	40,962
Contract maintenance	82,279	86,256
Security	116,446	119,382
Miscellaneous	8,256	12,620
	990,069	927,870
 Health Center:		
Salaries and wages	2,179,167	2,127,373
Employee benefits	645,368	592,038
General supplies	40,303	51,725
Drugs and medical supplies	46,980	48,417
Repairs and maintenance	21,878	25,920
Medical services	29,999	28,544
Miscellaneous services and licenses	41,719	41,138
Telephone	2,821	3,292
Expenses allocated from other departments:		
Food Service	368,514	338,398
General and Administrative	489,669	425,701
	3,866,418	3,682,546
 Residents' Outside Medical Fees	56,703	49,438

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

SCHEDULES OF OPERATING EXPENSES (continued)

Years ended December 31, 2012 and 2011

	2012	2011
Activities:		
Salaries and wages	201,580	178,689
Employee benefits	72,944	66,215
Program activities	122,648	41,855
	397,172	286,759
 General and Administrative:		
Salaries and wages	811,973	620,658
Employee benefits	182,801	159,691
Office supplies	20,878	22,143
Contract maintenance	7,337	4,934
Accounting fees	43,000	41,300
Legal fees	32,040	37,283
Consulting fees	8,566	18,139
Telephone	18,087	19,198
Travel and conferences	18,807	13,966
Dues and other professional fees	87,500	63,443
Utilities	316,038	317,747
Insurance	119,251	134,935
Transportation	18,996	12,377
Planning and development	113,877	70,528
Miscellaneous	118,808	100,969
Allocation of expenses to Health Center	(489,669)	(425,701)
	1,428,290	1,211,610
Total operating expenses - Resident Services	\$ 7,851,715	\$ 7,180,143
 Public Nutrition Program:		
Salaries and wages	\$ 250,508	\$ 241,536
Employee benefits	107,408	92,993
Telephone	678	752
Food purchases	489,237	534,676
Miscellaneous	53,431	58,260
Total operating expenses - Public Nutrition Program	\$ 901,262	\$ 928,217

**San Francisco Ladies' Protection and Relief Society
(dba The Heritage)**

**CONTINUING CARE RESERVE REPORT AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2012

RECEIVED
OFFICE OF THE CLERK
SUPERIOR COURT OF CALIFORNIA
COUNTY OF SAN FRANCISCO**INDEPENDENT AUDITORS' REPORT****Board of Directors****San Francisco Ladies' Protection and Relief Society dba The Heritage****Report on the Continuing Care Reserve Report**

We have audited the accompanying continuing care reserve report ("Report") of San Francisco Ladies' Protection and Relief Society dba The Heritage dba The Heritage (the Society) as of December 31, 2012. The accompanying Report was prepared for the purpose of complying with California Health and Safety Code Section 1792 and is not intended to be a complete presentation of the Society's financial statements.

Management's Responsibility for the Report

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

Auditors' Responsibility

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

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

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 Report presents fairly, in all material respects, the liquid reserve requirements of the Society as of December 31, 2012 in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

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

DZH Phillips LLP

San Francisco, California
April 29, 2013

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:					\$0

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

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

PROVIDER: San Francisco Ladies' Protection and Relief Society

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

	(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))
Long-Term Debt Obligation					
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: San Francisco Ladies' Protection and Relief Society

FORM 5-3

CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$0
2	Total from Form 5-2 bottom of Column (e)	\$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$0

PROVIDER: San Francisco Ladies' Protection and Relief Society

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$9,221,005
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	
c.	Depreciation	\$468,028
d.	Amortization	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$2,051,963
f.	Extraordinary expenses approved by the Department	
3	Total Deductions	\$2,519,991
4	Net Operating Expenses	\$6,701,014
5	Divide Line 4 by 365 and enter the result.	\$18,359
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$1,376,921

PROVIDER: San Francisco Ladies' Protection and Relief Society
COMMUNITY: The Heritage

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

CONTINUING CARE RESERVE REPORT

Year ended December 31, 2012

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

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

Processing fees	\$	8,250
Revenue from private health care center patients		1,188,269
Community services		811,634
Guest meals		30,970
Medical support services		<u>12,840</u>
	\$	<u><u>2,051,963</u></u>

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

CONTINUING CARE RESERVE REPORT

Year ended December 31, 2012

	<u>Per statement of cash flows</u>	<u>Amount included in Line 2 e</u>
Private health center patient fees	<u>\$ 1,188,269</u>	<u>\$ 1,188,269</u>
Community services (Public Nutrition Program)		
Public nutrition program revenue	\$ 826,303	\$ 826,303
Public nutrition program costs	(901,262)	-
Change in accounts receivable - public nutrition program	-	(14,669)
	<u>\$ (74,959)</u>	<u>\$ 811,634</u>
Other cash receipts		
Processing fees	\$ 8,250	\$ 8,250
Medical billing fees	12,840	12,840
Guest meals	30,970	30,970
Other receipts	53,509	-
	<u>\$ 105,569</u>	<u>\$ 52,060</u>
Total - Line 2 e		<u>\$ 2,051,963</u>

SCHEDULE II

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: San Francisco Ladies' Protection and Relief Society
 Fiscal Year Ended: 31, 2012

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

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 2012 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$0</u>
[2] Operating Expense Reserve Amount	<u>\$1,376,921</u>
[3] Total Liquid Reserve Amount:	<u>\$1,376,921</u>

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

<u>Qualifying Asset Description</u>	<u>Amount</u> <u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u></u>	<u>\$1,483,573</u>
[5] Investment Securities	<u></u>	<u>\$0</u>
[6] Equity Securities	<u></u>	<u>\$66,367,275</u>
[7] Unused/Available Lines of Credit	<u></u>	<u></u>
[8] Unused/Available Letters of Credit	<u></u>	<u></u>
[9] Debt Service Reserve	<u></u>	(not applicable)
[10] Other: <u></u> <u></u> (describe qualifying asset)	<u></u>	<u></u>
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	<u>\$0 [12]</u>	<u>\$67,850,848</u>
Reserve Obligation Amount: [13]	<u>\$0 [14]</u>	<u>\$1,376,921</u>
Surplus/(Deficiency): [15]	<u>\$0 [16]</u>	<u>\$66,473,927</u>

Signature: _____

Date: _____

(Authorized Representative)

Controller

(Title)

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

CONTINUING CARE RESERVE REPORT

Year ended December 31, 2012

FORM 5-5: ANNUAL RESERVE CERTIFICATION

The Society maintains the following reserves as of December 31, 2012:

Operating reserves	\$ 1,376,921
Funds restricted by donors	<u>682,035</u>
	<u>\$ 2,058,956</u>

PER CAPITA COST OF OPERATIONS

During December 31, 2012, the per capita cost of operations is as follows:

Operating expenses	\$ 9,221,005
Mean number of CCRC residents	<u>102.5</u>
Per capita cost of operations	<u>\$ 89,961</u>

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

FORM 5-5 DESCRIPTION OF RESERVES UNDER SB 1212

Year ended December 31, 2012

Total Qualifying Assets As Filed:	
Cash and cash equivalents	\$ 1,483,573
Equity securities *	<u>66,367,275</u>
Total qualifying assets as filed	<u>67,850,848</u>
Reservations and Designations:	
Reserve obligation amount	1,376,921
Temporarily and permanently restricted	<u>682,035</u>
	<u>2,058,956</u>
Remaining liquid reserves	<u>\$ 65,791,892</u>
* Equity securities include:	
Equity securities	\$ 26,583,553
Fixed income mutual funds	19,781,017
International business trusts	<u>20,002,705</u>
	<u>\$ 66,367,275</u>

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

FORM 5-5 FUNDS EXPENDED FOR PROJECTS UNDER AB 1169

Year ended December 31, 2012

During the year ended December 31, 2012, the Society expended \$924,887 for capital projects as follows:

Furniture and fixtures	\$	112,635
Property improvements		568,454
Construction in progress		<u>243,798</u>
	\$	<u>924,887</u>

No investment assets were expended during the year, however, investment income was used to fund the operating deficit.

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

Date Prepared: 4/26/2013

FACILITY NAME: The Heritage
 ADDRESS: 3400 Laguna St., San Francisco, California ZIP CODE: 94123 PHONE: (415) 202-0300
 PROVIDER NAME: SF Ladies Protection & Relief Society FACILITY OPERATOR: SF Ladies Protection & Relief Society
 RELATED FACILITIES: None RELIGIOUS AFFILIATION: None
 YEAR OPENED: 1853 NO. OF ACRES: _____ MULTI-STORY: _____ SINGLE STORY: _____ BOTH: X
 MILES TO SHOPPING CTR: 0.2 MILES TO HOSPITAL: 2.0

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>49</u>	ASSISTED LIVING <u>17</u>
APARTMENTS - 1 BDRM	<u>18</u>	SKILLED NURSING <u>32</u>
APARTMENTS - 2 BDRM	_____	SPECIAL CARE _____
COTTAGES/HOUSES	<u>1</u>	DESCRIBE SPECIAL CARE: _____
% OCCUPANCY AT YEAR END	<u>81.9%</u>	

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

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

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

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

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Yes

ENTRY REQUIREMENTS: MIN. AGE: 65 PRIOR PROFESSION: None OTHER: None

FACILITY SERVICES AND AMENITIES

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

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

PROVIDER NAME: San Francisco Ladies Protection and Relief Society

	2009	2010	2011	2012
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	4,163,336	4,289,443	4,953,801	5,001,300
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	7,666,244	7,994,842	8,108,360	8,752,977
NET INCOME FROM OPERATIONS	(3,502,908)	(3,705,399)	(3,154,559)	(3,751,677)
LESS INTEREST EXPENSE				
PLUS CONTRIBUTIONS	74,463	96,850	245,384	61,990
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	13,544,122	6,085,459	(1,892,206)	7,303,467
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	10,115,677	2,476,910	(4,801,381)	3,613,780
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	614,000	1,111,000	1,330,000	719,762

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

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

FINANCIAL RATIOS (see next page for ratio formulas)

	2012 CCAC Medlans 50 th Percentile (optional)	2010	2011	2012
DEBT TO ASSET RATIO		N/A	N/A	N/A
OPERATING RATIO		1.86	1.64	1.75
DEBT SERVICE COVERAGE RATIO		N/A	N/A	N/A
DAYS CASH-ON-HAND RATIO		3,101.57	2,861.57	2,780.92

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

	2009	%	2010	%	2011	%	2012
STUDIO	2,392	3.5	2,555	4.0	2,656	4.0	2,744
ONE BEDROOM	4,885	3.5	4,639	2-4.0	4,549	2-4.0	4,634
TWO BEDROOM	N/A		N/A		N/A		N/A
COTTAGE/HOUSE	5,225	3.5	5,421	4.0	5,625	4.0	5,850
ASSISTED LIVING	2,392	3.5	2,568	4.0	2,656	4.0	2,744
SKILLED NURSING	2,392	3.5	2,568	4.0	2,656	4.0	2,744
SPECIAL CARE	N/A		N/A		N/A		N/A

COMMENTS FROM PROVIDER: _____

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	\$353 - \$4,331 Per resident	\$1,669-\$2,897 Per Resident	\$703 - \$2,897 Per Resident
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	2.5 - 4.0%	4%	4%

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

[3] Indicate the date the fee increase was implemented: July 1, 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: San Francisco Ladies' Protection and Relief Society
COMMUNITY: The Heritage

San Francisco Ladies' Protection and Relief Society
(dba The Heritage)

FORM 7-1 ADJUSTMENTS IN MONTHLY CARE FEES

Year ended December 31, 2012

Adjustments to monthly fees

The Heritage life care contracts do not specify a rate or dollar amount that monthly fees may be raised on an annual basis. The contract allows for adjustments periodically as deemed necessary based on financial indicators. The Board of Directors is responsible for reviewing financial indicators and recommending increases. Increases are determined on a case by case basis within the parameters set by the Board based on individual resident's factors. In some past years, there was no increase in fees. The average increase in the current year was approximately 4%.

The monthly care revenues are from health center monthly fees and regular resident monthly fees. The total for the year ended December 31, 2012 was \$2,928,575.

Residents move between independent living, personal assistance, and skilled nursing. The Heritage does not track fees by facility, but rather in the aggregate.