California
P.E.O. HOME

700 N. Stoneman Ave.
Alhambra, CA
91801-1408

Tel 626. 300. 3711
Fax 626. 299. 4235
www.capeohome.org

RECEIVED
APR 30 2014
CONTINUING CARE
CONTRACTS BRANCH

April 28, 2014

California Department of Social Services
Continuing Care Provider Fee Fund
Account #84130
744 P. Street M.S. 11-90
Sacramento, CA 95814

To Whom It May Concern:

I certify that to the best of my knowledge the Annual Audited Report of the California P.E.O. Home for the fiscal year ending December 31, 2013 is correct.

Secondly, I certify that the California Department of Social Services has approved the Continuing Care Contract used by the California P.E.O. Home.

Lastly, I certify that the Approved Fund Reserve satisfies required funding levels as of December 31, 2013.

Respectully,

William R. Platt

William R. Platt
President & CEO

COMMERCIAL CRIME COVERAGE PART
DECLARATIONS PAGE

RECEIVED
APR 30 2014
CONTINUING CARE
CONTRACTS BRANCH

POLICY EFFECTIVE 12/05/2013 POLICY NO. 1275-710

NAMED INSURED CALIFORNIA PEO HOMEA CALIFORNIA

LOCATIONS

PREMISES ARE THE SAME AS SHOWN ON THE COMMERCIAL
PROPERTY COVERAGE PART DECLARATIONS PAGE

COVERAGES, LIMITS OF INSURANCE AND DEDUCTIBLE

BOND - EMPLOYEE DISHONESTY COVERAGE FORM A - BLANKET CR0001

	LIMITS OF INSURANCE	DEDUCTIBLE AMOUNT
ALL OFFICERS AND EMPLOYEES - HONESTY	$250,000	-0-

BOND - FORGERY AND ALTERATIONS COVERAGE FORM B CR0003

	LIMITS OF INSURANCE	DEDUCTIBLE AMOUNT
DEPOSITORS FORGERY	$50,000	-0-

CALIFORNIA P.E.O. HOME
DBA NAVIGAGE

Financial Statements and Supplemental Information for the Year Ended December 31, 2013 with Comparative Totals for the Year Ended December 31, 2012
and
Independent Auditor's Report

navigage™
reach. inspire. create.

CALIFORNIA P.E.O. HOME
DBA NAVIGAGE

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VICENTI • LLOYD • STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAS
2210 E. Route 66, Suite 100, Glendora, CA 91740
Tel 626.857.7300 | Fax 626.857.7302 | E-Mail INFO@VLSLLP.COM | Web WWW.VLSLLP.COM

INDEPENDENT AUDITOR'S REPORT

Board of Directors
California P.E.O. Home
DBA Navigage
700 North Stoneman Avenue
Alhambra, CA 91801

We have audited the financial statements of California P.E.O. Home dba Navigage (the Home), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 financial statements are free from material misstatement.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Home'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 Home'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.

Board of Directors
California P.E.O. Home
DBA Navigage

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California P.E.O. Home as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Home's 2012 financial statements, and our report dated April 22, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses, in the supplemental information section, is presented for purposes of additional analysis and is 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 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 as a whole.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
April 16, 2014

CALIFORNIA P.E.O. HOME
DBA NAVIGAGE

STATEMENT OF FINANCIAL POSITION
December 31, 2013
with Comparative Totals as of December 31, 2012

ASSETS	December 31, 2013	December 31, 2012
Current Assets:		
Cash and cash equivalents (Note 2)	$ 657,850	$ 677,841
Cash held in trust:		
Resident accounts	12,109	19,945
Redstone Foundation for Ageless Living (Note 16)		1,139
Investments (Note 3)	9,851,341	10,343,207
Accounts receivable	102,321	87,353
Inventory, prepaid expenses and deposits	69,419	33,040
Total Current Assets	10,693,040	11,162,525
Temporarily and Permanently Restricted Investments (Note 3)	855,855	2,336,560
Nonqualified Deferred Compensation Plan (Note 14)	191,543	137,765
Charitable Remainder Interest Receivable (Note 4)	10,710	10,710
Beneficial Interest in Trusts (Note 4)	2,271,649	2,120,929
	3,329,757	4,605,964
Property, Plant and Equipment, net (Note 5)	4,800,874	5,216,962
Total Assets	$ 18,823,671	$ 20,985,451
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 103,681	$ 90,382
Accrued expenses	229,893	215,746
Line of credit (Note 7)	5,088,932	5,836,634
Trust liabilities:		
Resident accounts	12,109	19,945
Redstone Foundation for Ageless Living (Note 16)		1,139
Current portion - capital lease (Note 8)		6,072
Total Current Liabilities	5,434,615	6,169,918
Nonqualified Deferred Compensation Plan (Note 14)	191,543	137,765
Deferred Revenue from Entrance Fees (Note 1)	371,292	505,123
Total Liabilities	5,997,450	6,812,806
Net Assets:		
Unrestricted	6,203,569	7,737,830
Temporarily restricted (Note 11)	1,615,467	1,627,671
Permanently restricted (Note 12)	5,007,185	4,807,144
Total Net Assets	12,826,221	14,172,645
Total Liabilities and Net Assets	$ 18,823,671	$ 20,985,451

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

CALIFORNIA P.E.O. HOME
DBA NAVIGAGE

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2013
with Comparative Totals for the Year Ended December 31, 2012

	December 31, 2013				December 31, 2012
OPERATING REVENUE	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Total**
Residence fees, net (Note 10)	$ 2,456,092	$	$	$ 2,456,092	$ 2,934,649
Entrance fees - amortization	133,831			133,831	218,446
Sherpa membership and events	7,665			7,665	-
Investment income	485,414	97,311		582,725	557,096
Other service fees and miscellaneous revenue	44,590			44,590	54,443
Total revenue	3,127,592	97,311	-	3,224,903	3,764,634
OPERATING EXPENSES					
Health care	1,142,395			1,142,395	1,219,507
Assisted living	180,325			180,325	166,162
Independent Living	125,276			125,276	170,557
Housekeeping, laundry and dietary	570,437			570,437	648,905
Sherpa	1,383,684			1,383,684	179,915
General and administrative	1,763,348			1,763,348	1,971,715
Plant operations and maintenance	561,491			561,491	613,243
Total expenses before Redstone marketing and depreciation	5,726,956	-	-	5,726,956	4,970,004
Redstone marketing				-	158,338
Depreciation (Note 5)	325,098			325,098	415,813
Total marketing and depreciation	325,098	-	-	325,098	574,151
Change in net assets from operations	(2,924,462)	97,311	-	(2,827,151)	(1,779,521)
NON-OPERATING GAINS (LOSSES) AND OTHER CHANGES IN NET ASSETS					
Contributions and gifts (Note 1)	36,456	23,007	49,322	108,785	385,460
Incidental rental loss, net (Note 15)				-	(91,286)
Unrealized gains on investments (Note 3)	434,366	686		435,052	625,080
Realized gains (loss) on investments (Note 3)	116,672	30,154		146,826	(141,392)
Transfer of endowment funds with deficiencies (Note 13)	128,151	(128,151)		-	-
Change in beneficial interest in perpetual trusts			150,719	150,719	84,986
Loss on discontinuation of Redstone project (Note 17)				-	(2,304,878)
Gain on sale of property (Note 5)	639,345			639,345	573,878
Total non-operating gains (losses)	1,354,990	(74,304)	200,041	1,480,727	(868,152)
Net assets released from restrictions (Note 11)	35,211	(35,211)	-	-	-
Total non-operating gains (losses) and other changes in net assets	1,390,201	(109,515)	200,041	1,480,727	(868,152)
Change in net assets	(1,534,261)	(12,204)	200,041	(1,346,424)	(2,647,673)
NET ASSETS, BEGINNING OF YEAR	7,737,830	1,627,671	4,807,144	14,172,645	16,820,318
NET ASSETS, END OF YEAR	$ 6,203,569	$ 1,615,467	$ 5,007,185	$ 12,826,221	$ 14,172,645

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

CALIFORNIA P.E.O. HOME
DBA NAVIGAGE

STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2013
with Comparative Totals for the Year Ended December 31, 2012

	December 31, 2013	December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES AND NON-OPERATING GAINS(LOSSES):		
Cash received from resident fees	$ 2,441,124	$ 2,966,723
Cash received from memberships and events	7,665	-
Cash received from other operating activities	44,590	54,443
Cash received from incidental rental income	-	247,579
Contributions	59,463	377,209
Investment income received	543,818	508,409
Interest paid on line of credit/capital lease	(253,121)	(497,680)
Cash paid to suppliers and employees	(5,443,861)	(5,108,779)
Net cash used in operating activities and non-operating gains (losses)	(2,600,322)	(1,452,096)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(39,665)	(336,766)
Proceeds from sale of property	770,000	5,200,000
Purchase of investments	(874,569)	(2,988,602)
Proceeds from sale and maturity of investments	3,429,017	2,696,474
Net cash provided by investing activities	3,284,783	4,571,106
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for:		
Investment in endowment fund	49,322	8,251
Payments on mortgage loan	-	(2,000,000)
Payment on line of credit	(747,702)	(655,645)
Payment on capital lease	(6,072)	(36,550)
Refunds for entrance fees	-	(125)
Net cash used by financing activities	(704,452)	(2,684,069)
Net increase (decrease) in cash and cash equivalents	(19,991)	434,941
CASH BALANCES - BEGINNING OF YEAR	677,841	242,900
CASH BALANCES - END OF YEAR	$ 657,850	$ 677,841

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

CALIFORNIA P.E.O. HOME
DBA NAVIGAGE

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013
with Comparative Totals for the Year Ended December 31, 2012

	December 31, 2013	December 31, 2012
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES AND NON-OPERATING GAINS(LOSSES):		
Change in net assets	$ (1,346,424)	$ (2,647,673)
Adjustments to reconcile change in net assets to net cash used by operating activities and non-operating gains (losses):		
Amortization of entrance fees	(133,831)	(218,446)
Amortization of loan costs		21,333
Depreciation	325,098	415,813
Net realized and unrealized gain on investments	(581,878)	(483,688)
Change in beneficial interest in perpetual trusts	(150,719)	(84,986)
Contributions restricted for long-term investments	(49,322)	(8,251)
Gain on sale of fixed assets	(639,345)	(573,878)
Loss on discontinuation of Redstone project	-	2,304,878
Decrease (increase) in operating assets:		
Accounts receivable	(14,968)	32,074
Inventory, prepaid expenses and deposits	(36,379)	22,231
Increase (decrease) in operating liabilities:		
Accounts payable	13,299	(209,310)
Accrued expenses	14,147	4,837
Security deposits	-	(27,030)
Net cash used by operating activities and non-operating gains (losses)	$ (2,600,322)	$ (1,452,096)

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

CALIFORNIA P.E.O. HOME
DBA NAVIGAGE

NOTES TO FINANCIAL STATEMENTS
December 31, 2013
with Comparative Totals for the Year Ended December 31, 2012

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities - California P.E.O. Home, dba Navigage, (the Home) is a California non-profit public corporation trust as described in Section 501(c)(3) of the Internal Revenue Code and as such is exempt from federal income taxes. The Home is exempt from state franchise taxes under similar provisions for the State of California.

Marguerite Gardens - The Home operates a continuing care retirement community (CCRC), Marguerite Gardens, located in Alhambra, California. The Home serves approximately 40 P.E.O. members and other community residents under continuing care contracts and monthly rental agreements, providing services that enhance quality of life for those served through independent retirement living, assisted living and skilled nursing care.

Sherpa - In August 2012, the Board of Directors approved the business plan for Sherpa. Sherpa is a membership community designed to provide personalized services and options for members in areas such as lifelong learning, career changes, concierge support, technology education, and social connections. Membership consists of approximately 35 Marguerite Gardens members and 170 other community residents. Residents of Marguerite Gardens that are current members, have opportunities to enhance their lifestyle experience with a better quality of life through events, lectures, classes, dances, social gatherings, and professional assistance, which is consistent with the Home's tax exempt status. This membership community will provide revenue to the Home through annual membership fees, class fees, event fees, and revenue sharing. During 2013 and 2012, expenses were $1,383,684 and $179,915, respectively.

Basis of Accounting - The financial statements of the Home have been prepared on the accrual basis of accounting.

To account for the limitations and restrictions placed on the use of resources available to the Home, its accounts are maintained in accordance with the principles of fund accounting. Inter-fund transactions are not reflected in the financial statements as generally accepted accounting principles requires inter-fund activity to be eliminated.

Use of 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Net Asset Classes - The Home classifies its net assets into three categories; unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets generally result from revenues from providing services, receiving unrestricted contributions, and receiving dividend and interest income, less expenses incurred in providing services, raising contributions, and performing administrative functions. The only limits on the use of unrestricted net assets are the broad limits resulting from the Home's mission as defined in its articles of incorporation and bylaws.

Temporarily restricted net assets are those whose use by the Home has been limited by donors to a specific time period or purpose.

Permanently restricted net assets have been restricted by donors to be maintained by the Home in perpetuity.

Cash and Cash Equivalents - Cash and cash equivalents include short term investments with a maturity of three months or less, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third-party payors.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position.

Accounts Receivable - Accounts receivable are stated at unpaid balances. Bad debts are accounted for by the direct write-off method, which is not materially different from the allowance method, as the Home does not expect to incur any significant uncollectible accounts. Receivables are considered impaired if full payment is not received in accordance with contractual terms. It is the Home's policy to charge off uncollectable accounts receivable when management determines the receivable will not be collected.

Inventory, Prepaid Expenses and Deposits - Inventory consists of food and kitchen supplies and is valued at cost. Payments made to vendors for goods or services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which goods or services were consumed. Additionally, amounts paid for fees associated with the mortgage loan were capitalized and amortized to incidental rental gains or losses over the life of the loan. See Note 9 for additional information.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Property and Equipment - Property and equipment are stated at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. The Home maintains a capitalization threshold of $500. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Depreciation is computed on the straight-line basis over the estimated useful life of the assets. The estimated useful life for buildings and site improvements is 30-40 years and for equipment is 2-10 years. Beginning in 2007-08, certain items anticipated to be demolished per the proposed master plan, discussed in Note 17, were depreciated according to the anticipated construction phase. In August 2008, property with an apartment complex was purchased. The Home recorded the appraised value of the apartment complex as a building and accelerated the related depreciation over its estimated useful life. The apartment complex was fully depreciated during the 2011 fiscal year and was sold during the 2012 fiscal year.

Antique Collection - The antique collection includes donated furnishings, fine art, fine china and other collectibles. All items in the collection are deemed inexhaustible assets and therefore are not depreciated.

Security Deposit - Security deposits were collected for incidental apartment rentals. Security deposits were transferred with the sale of the apartment complex.

Deferred Revenue from Entrance Fees - Fees paid by a resident upon entering the Home are recorded as deferred revenue and are amortized to income using the straight-line method over the remaining life expectancy of the resident. The entrance fees received under contract are generally refundable over a 100-month period and are amortized over the residents' life expectancy. At December 31, 2013 and 2012, the balance of unamortized entrance fees was $371,292 and $505,123, respectively. Of these amounts, $16,480 and $91,572, respectively, are subject to the refund provisions in the contracts. Management believes the estimated amount of advance fees that are expected to be refunded to current residents under the terms of the contact and based on previous experience is not material and, as such, a provision for the liability has not been reported separately as a current liability.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Charity Care - Charity care is services provided to a patient or resident with the demonstrated inability to pay. The Home provided services to residents for which the costs to provide such services exceeds reimbursement. The estimated cost of charity care totaled approximately \$88,600 and \$51,400 for the years ended December 31, 2013 and 2012, respectively. The cost of charity care is estimated utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care. There were no funds received from gifts and grants to subsidize charity services provided.

Obligation to Provide Future Services - The Home annually calculates the present value of the net cost of future services and use of facilities to be provided to current continuing care contract residents and compares that amount with the future cash inflows from monthly fees and the balance of deferred revenue from advance fees. If the estimated present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability is recorded with a corresponding charge to income. For the years ended December 31, 2013 and 2012, the calculation resulted in no future service liability.

The discounted rate used for both years was 4.0%, based on the expected long-term rate of return on government obligations. The Home estimates the cost of future services and the use of facilities in calculating the future obligation. The estimated amount of the obligation is based on actuarial assumptions such as life expectancy, projected future monthly resident fees, projected future operating costs and estimated future inflation rate. Actual results will differ from those estimates.

Net Patient Service Revenue - The Home has agreements with third-party payors that provide for payments to the Home at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

CALIFORNIA P.E.O. HOME
DBA NAVIGAGE

NOTES TO FINANCIAL STATEMENTS
December 31, 2013
with Comparative Totals for the Year Ended December 31, 2012

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Contributions and Donor-Restricted Gifts - Contributions, including unconditional promises to give are recognized as revenues in the period the contribution or unconditional promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift. See Notes 11 and 12 for additional information.

The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When a donor's restriction is met within the same year as the donation, the donation is reported as unrestricted.

Contributed Services - During the years ended December 31, 2013 and 2012, the value of non-cash contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, individuals volunteer their time and perform a variety of tasks that assist the Home, but these services do not meet the criteria for recognition as contributed services.

Redstone Marketing Costs - The Home was advertising to promote the Redstone Project (Note 17); ongoing advertising costs were expensed as incurred. Advertising expenses for the year ended December 31, 2012 was $158,338.

Change in Net Assets from Operations - The statement of activities includes the change in net assets from operations. Changes in net assets which are excluded from the change in net assets from operations include realized and unrealized gains and losses on investments, net gains or losses from incidental activities, and contributions, including contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Comparative Totals - The financial statements and notes include certain prior-year summarized comparative information in total, but not by net asset class. Accordingly, such information should be read in conjunction with the Home's financial statements for the year ended December 31, 2012.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Income Taxes - The Home has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Home's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Home files informational returns in the U.S. federal jurisdiction and the state of California. With few exceptions, the Home is no longer subject to U.S. federal and state examinations by tax authorities for generally three and four years, respectively.

Reclassifications - Certain amounts in the 2012 financial statements have been reclassified to conform with the 2013 presentation.

Subsequent Events - The Home has evaluated subsequent events through April 16, 2014, which is the date these financial statements were available to be issued. The line of credit was renegotiated on March 21, 2014, see Note 7. Other than the line of credit, there are no additional subsequent events requiring recognition or disclosure.

NOTE 2 - CONCENTRATION OF CREDIT RISK:

Custodial credit risk is the risk that in the event of a bank failure, the Home's deposits may not be returned to it. The Home maintains cash balances that at times are in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2013 and 2012 the Home had no cash balances in financial institutions that exceeded FDIC limits.

The Home routinely invests its surplus operating funds in marketable equity and debt securities. These investments are not insured or guaranteed by the U.S. Government; however, management believes that credit risk to these investments is minimal.

CALIFORNIA P.E.O. HOME
DBA NAVIGAGE

NOTES TO FINANCIAL STATEMENTS
December 31, 2013
with Comparative Totals for the Year Ended December 31, 2012

NOTE 3 - INVESTMENTS:

The Home's investments at December 31, 2013 and 2012 are as follows:

	December 31, 2013		December 31, 2012	
	Fair Value	Cost	Fair Value	Cost
Level 1				
U.S. Government securities	$ 50,949	$ 52,322	$ 54,290	$ 52,322
Corporate bonds	6,152,933	6,136,412	8,214,449	7,988,271
Equity securities	4,029,815	2,976,642	3,879,192	3,598,357
Other investments	443,499	443,499	501,836	501,836
	10,677,196	9,608,875	12,649,767	12,140,786
Level 3				
Investment land	30,000	30,000	30,000	30,000
Total investments	$ 10,707,196	$ 9,638,875	$ 12,679,767	$ 12,170,786

	December 31, 2013	December 31, 2012
Unrestricted Investments	$ 9,851,341	$ 10,343,207
Temporarily and Permanently Restricted Investments	855,855	2,336,560
	$ 10,707,196	$ 12,679,767

For fair value measurement and disclosure purposes, levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

Level 1 - quoted prices in an active market for identical assets.
Level 2 - quoted prices for similar assets and market-corroborated inputs.
Level 3 - the Home's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

NOTE 3 - INVESTMENTS: (continued)

All investments held by the Home are level 1 – quoted prices in an active market for identical assets, with the exception of donated investment land. The investment land is located in Fremont, Wyoming and generates monthly royalty payments for mineral rights. The fair value of the investment land, measured at level 3, is the amount offered to purchase the investment land in February 2011 from a joint shareholder.

There were no changes in assets measured at fair value using level 3 inputs on a recurring basis for the year ended December 31, 2013.

The investment income and net realized and unrealized gains and losses for the years ended December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Interest and dividends	$ 662,321	$ 632,488
Investment expense	(79,596)	(75,392)
Net investment income	$ 582,725	$ 557,096
Net unrealized gains	$ 435,052	$ 625,080
Net realized gains (losses)	146,826	(141,392)

NOTE 4 - CHARITABLE REMAINDER AND INCOME BENEFICIARY TRUSTS:

Charitable Remainder Interest Receivable

The Home is the beneficiary of a charitable gift annuity administered by the Presbyterian Church (U.S.A) Foundation. In accordance with the donors' instruction upon the donors' death, the Home is to receive 50% of the remainder value of the life income fund held in the administrator's custody. The amount is reported as a receivable from charitable remainder interests, since the contribution will be received after the contributor's death. The residual portion of this donation in the amount of $10,710 has been recorded as an unrestricted contribution. Any portion of the annuity remaining at the death of the donor will be recognized as an additional contribution at that time.

NOTE 4 - CHARITABLE REMAINDER AND INCOME BENEFICIARY TRUST: (continued)

Beneficial Interest in Trust

The Home is an income beneficiary in two trusts. The Phelps trust is held in perpetuity on behalf of the Home while the Home is a beneficiary of the Brame Trust; as such, both trusts are recorded in the Home's statement of financial position. The Brame Trust assets will be held on behalf of its beneficiaries for twenty years at which time the assets will be distributed. The Brame Trust is irrevocable and was established in 2008. On December 31, 2013 and 2012, the market values of the trusts' assets totaled $2,271,647 and $2,120,929, respectively. Income distributed to the Home by the trusts amounted to $96,011 and $89,744 in years ended December 31, 2013 and 2012, respectively. Earnings are unrestricted and available for general operating expenses.

NOTE 5 - PROPERTY AND EQUIPMENT:

A summary of property and equipment, at cost, for the years ended December 31, 2013 and 2012 follows:

	December 31, 2013	December 31, 2012
Land	$ 805,768	$ 924,073
Buildings and improvements	14,769,983	14,855,937
Furniture and equipment	2,431,994	2,391,580
	18,007,745	18,171,590
Less accumulated depreciation	(13,276,201)	(13,023,958)
	4,731,544	5,147,632
Antiques	69,330	69,330
	$ 4,800,874	$ 5,216,962

In October 2013, parking lot property was sold for $770,000. The parking lot was partially depreciated and the gain on the sale of the property was $639,345. In October 2012, the apartment complex was sold for $5.2 million in conjunction with the discontinuance of the Redstone Project (Note 17). The apartment complex was fully depreciated and the gain on the sale of the property was $573,878.

There was no capitalized interest recorded for the years ended December 31, 2013 and 2012. Depreciation expense for the years ended December 31, 2013 and 2012 was $325,098 and $415,813, respectively.

CALIFORNIA P.E.O. HOME
DBA NAVIGAGE

NOTES TO FINANCIAL STATEMENTS
December 31, 2013
with Comparative Totals for the Year Ended December 31, 2012

NOTE 6 - INTER-FUND BORROWING:

In July 2011, the Board approved an internal loan of $1 million from endowment funds to provide for working capital. In July 2013 and August 2012, the Board approved to increase the internal loan to $2.5 million and $2.0 million, respectively. The internal loan bears an interest rate of 4.25%. Interest is due quarterly with the principal amount due January 2015. Inter-fund borrowing transactions are not reflected in the financial statements as U.S. generally accepted accounting principles require inter-fund activity to be eliminated. However, reported in the statement of activities are the transactions that occur between unrestricted and temporarily restricted net assets.

For the year ended December 31, 2013 and 2012, inter-fund activity totaling $1,658,323 and $50,000, respectively, for principal and interest was eliminated. The allocation of interest expense on restricted endowment borrowing is recognized in expenses for the general and administrative supporting services reported in the schedule of functional expenses, while investment income is recognized in temporarily restricted activities.

Inter-fund borrowing and activities for the years ended December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Beginning balance	$ 50,000	$ 782,798
Draws	1,900,000	1,020,000
Interest expense	38,907	48,686
Payments	(330,584)	(1,801,484)
Ending balance	$ 1,658,323	$ 50,000

CALIFORNIA P.E.O. HOME
DBA NAVIGAGE

NOTES TO FINANCIAL STATEMENTS
December 31, 2013
with Comparative Totals for the Year Ended December 31, 2012

NOTE 7 - LINE OF CREDIT:

The Home has an operating line of credit for $7.0 million with American Business Bank and is secured by the unrestricted investment account. Interest is payable monthly at a fixed interest rate of 5.75% through October 2012 and 4.5% thereafter. The line of credit's due date has been renegotiated each year. As of December 31, 2013 the line of credit was due March 2014; however, this was renegotiated on March 24, 2014 until March 2015. The outstanding balance at December 31, 2013 and 2012 was $5,088,932 and $5,836,634, respectively.

The line of credit activities for the years ended December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Beginning balance	$ 5,836,634	$ 6,492,279
Interest expense	252,298	376,501
Interest payments	(252,298)	(376,501)
Payments	(747,702)	(655,645)
Net payments	(1,000,000)	(1,032,146)
Ending balance	$ 5,088,932	$ 5,836,634

NOTE 8 - CAPITAL LEASE OBLIGATION:

In February 2008, the Home acquired a capital lease for a telephone system valued at $182,710. The telephone system was fully depreciated by August 2012. Depreciation expense for the year ended December 31, 2012 was $24,361. At December 31, 2012, the future minimum lease payments were $6,072, which were paid in full in February 2013.

NOTE 9 - MORTGAGE LOAN:

In February 2010, the Home entered into a mortgage loan for $2.0 million. The mortgage was secured by the apartment complex. The principal payment of $2.0 million was due August 1, 2012 with an option to extend the loan. The mortgage loan was refinanced in April 2012. The principal amount of $2.0 million had a fixed interest rate of 4.15% for the first five years before converting to a variable interest rate with a maximum of 9.15% thereafter. In October 2012, the apartment complex was sold and the loan was paid in full.

Original loan costs of $80,000 were incurred and were to be amortized over 30 months. Amortization of loan costs for the year ended December 31, 2012 was $21,333, and was recorded as a component of incidental rental gain or loss on the statement of activities. The loan costs were completely amortized as of December 31, 2012. Loan costs of $21,595 from the refinancing were incurred and recognized in 2012 as a component of incidental rental loss on the statement of activities.

NOTE 10 – RESIDENCE FEES AND PATIENT SERVICE REVENUE:

Residence fees and patient service revenue at December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Independent living	$ 467,980	$ 690,947
Assisted living	264,532	260,326
Skilled nursing	1,723,580	1,983,376
Total residence fees, net	$ 2,456,092	$ 2,934,649
Skilled nursing	$ 2,111,530	$ 2,393,785
Less contractual provisions	(383,225)	(396,075)
Less bad debt	(4,725)	(14,334)
Net patient service revenue	$ 1,723,580	$ 1,983,376

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets at December 31, 2013 are available for the following purposes:

	Beginning Balance December 31, 2012	Net Assets Received or Transferred	Net Assets Released	Ending Balance December 31, 2013
PURCHASE OF BUILDING AND EQUIPMENT				
Alhambra Unit	$ 1,480,208	$	$	$ 1,480,208
	1,480,208	-	-	1,480,208
PURCHASE FOR SPECIFIC OPERATING PURPOSES				
P.E.O. Sisters	794	50		844
Golden Account	1,400			1,400
Benevolent Fund	-	876	(876)	-
Health Unit	16,480		(2,745)	13,735
Sunshine	21,630	22,081	(31,590)	12,121
Brame Trust	107,159			107,159
	147,463	23,007	(35,211)	135,259
TRANSFER OF ENDOWMENT FUNDS WITH DEFICIENCIES				
Endowment (Note 13)	-	128,151	(128,151)	-
	-	128,151	(128,151)	-
	$ 1,627,671	$ 151,158	$(163,362)	$ 1,615,467

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS: (continued)

Temporarily restricted net assets at December 31, 2012 are available for the following purposes:

	Beginning Balance December 31, 2011	Net Assets Received or Transferred	Net Assets Released	Ending Balance December 31, 2012
PURCHASE OF BUILDING AND EQUIPMENT				
Alhambra Unit	$ 1,480,208	$	$	$ 1,480,208
	1,480,208	-	-	1,480,208
PURCHASE FOR SPECIFIC OPERATING PURPOSES				
P.E.O. Sisters	794			794
Golden Account	1,400			1,400
Benevolent Fund	-	2,748	(2,748)	-
Health Unit	30,501		(14,021)	16,480
Sunshine	17,942	22,435	(18,747)	21,630
Brame Trust	107,159			107,159
	157,796	25,183	(35,516)	147,463
TRANSFER OF ENDOWMENT FUNDS WITH DEFICIENCIES				
Endowment (Note 13)	-	134,657	(134,657)	-
	-	134,657	(134,657)	-
	$ 1,638,004	$ 159,840	$(170,173)	$ 1,627,671

NOTE 12 - PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets are as follows:

	December 31, 2013	December 31, 2012
Endowment Fund - Earnings which are Unrestricted	$ 2,500,623	$ 2,451,301
Harvey W. And Alice H. Parmelee Fund	342,074	342,074
Beneficial Interest in Perpetual Trusts: Phelps Memorial Trust	2,164,488	2,013,769
	$ 5,007,185	$ 4,807,144

NOTE 13 - ENDOWMENT:

The Home's endowment consists of two individual endowments, the unrestricted endowment fund and the Parmalee Endowment, established for the Home's charitable purpose. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Home does not currently have board designated funds functioning as endowments.

Interpretation of Relevant Law - The Board of Directors of the Home have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Home classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Home has a policy of appropriating for distribution each year up to 5%. No distributions were taken during 2013 or 2012.

NOTE 13 - ENDOWMENT: (continued)

Return Objectives, Risk Parameters and Strategies - The Home has adopted an investment policy which maximizes return at an appropriate level of risk within the constraints of general economic conditions. The primary investment objective of the portfolio is to earn a total return over time, sufficient to meet the budgetary need for current income plus preserve the real (inflation adjusted) purchasing power of the endowment. The endowment portfolio is diversified both by asset class (equities and fixed-income securities) and within asset classes (within equities by economic sector, geographic area, industry, quality, and size). The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the portfolio's aggregate results.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Home to retain as a fund of perpetual duration. Deficiencies of this nature, totaling $269,435 as of December 31, 2013 and $397,586 as of December 31, 2012, have been reported in unrestricted net assets in accordance with generally accepted accounting principles.

Changes in Endowment Net Assets for the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (397,586)	$ -	$ 2,793,375	$ 2,395,789
Investment return:				
Investment income, net of expenses		97,311		97,311
Net appreciation (realized and unrealized)		30,840		30,840
Total investment return	-	128,151	-	128,151
Other changes:				
Contributions			49,322	49,322
Transfer of funds with deficiencies	128,151	(128,151)		-
Total other changes	128,151	(128,151)	49,322	49,322
Endowment net assets, end of year	$ (269,435)	$ -	$ 2,842,697	$ 2,573,262

CALIFORNIA P.E.O. HOME
DBA NAVIGAGE

NOTES TO FINANCIAL STATEMENTS
December 31, 2013
with Comparative Totals for the Year Ended December 31, 2012

NOTE 13 - ENDOWMENT: (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (532,243)	$ -	$ 2,785,124	$ 2,252,881
Investment return:				
Investment income, net of expenses		77,331		77,331
Net appreciation (realized and unrealized)		57,326		57,326
Total investment return	-	134,657	-	134,657
Other changes:				
Contributions			8,251	8,251
Transfer of funds with deficiencies	134,657	(134,657)		-
Total other changes	134,657	(134,657)	8,251	8,251
Endowment net assets, end of year	$ (397,586)	$ -	$ 2,793,375	$ 2,395,789

NOTE 14 - RETIREMENT AND DEFERRED COMPENSATION PLANS:

The Home adopted a 403(b) Retirement Savings Plan, a defined-contribution plan, for its employees effective March 1, 1997. The plan covers all employees who are at least 21 years of age with one or more years of service. The Home's contribution is based on 100% of the first 3% of salary deferral elected by each individual employee. The Home's contributions for the years ended December 31, 2013 and 2012 were $38,793 and $68,705, respectively. The Home has no liability for the administration or payment of the plan and accordingly, the present value of the related vested benefits is not reflected in these financial statements.

The Qualified Retirement Plan is administered by American United Life Insurance Company, the trustee. The Home has less than 100 participants.

NOTE 14 - RETIREMENT AND DEFERRED COMPENSATION PLANS: (continued)

The Home offers an Internal Revenue Service Section 457 Deferred Compensation Plan for its President/CEO. Under the plan, the Home contributes no less than 20% of the employee's total compensation to an Internal Revenue Code section 457(f) plan plus any shortfall in the Home's contribution to the 403(b) due to highly compensated employee rules for employee's benefits. The Home's contributions for the years ended December 31, 2013 and 2012 were $35,459 and $37,748, respectively. The plan is nonqualified and the Home manages the plan; accordingly, the fair value of related unvested benefits are reflected in these financial statements. The benefits will be vested January 30, 2016.

The Deferred Compensation Plan was administered by American United Life Insurance Company, the trustee, through December 2012. Beginning in 2013, the President/CEO's plan is administered by Principal Financial Group, the trustee.

NOTE 15 - INCIDENTAL RENTAL LOSS:

In August 2008, in conjunction with the Redstone Project, property was purchased. The property includes an occupied apartment complex. Since construction was not anticipated to start for several years, the Home continued renting the apartment units. For the year ended December 31, 2012, incidental rental loss of $91,286 was recorded, which consists of $274,609 in income, $116,354 in interest expense and $249,541 in other expenses. In October 2012, the apartment complex was sold in conjunction with the discontinuation of the Redstone Project (Notes 5 and 17).

NOTE 16 - REDSTONE FOUNDATION FOR AGELESS LIVING:

The Redstone Foundation for Ageless Living (the Foundation) was a 501(c)(3) non-profit corporation whose sole purpose was to raise money on behalf of the Home. During 2011, the decision to dissolve the foundation was made and $36,316 was contributed to the Home as an unrestricted contribution. Distribution after all debts and liabilities of the Foundation to a non-profit organization, such as the Home, is allowable according to the articles of incorporation. The Foundation was legally dissolved in 2013 and all remaining funds were transferred to the Home.

The Foundation's cash account was managed by the Home and was reported in the financial statements as cash held in trust and trust liabilities. The balance at December 31, 2012 was $1,139.

NOTE 17 - REDEVELOPMENT PLAN AND AB 1169 DISCLOSURE:

Redstone Project

In August 2007, the Home conducted a project summary and financial feasibility analysis in connection with the proposed repositioning master plan of the Alhambra, California campus. Based upon that study, the project included additional one and two bedroom independent living (residential) apartments, assisted living units, an aquatic/fitness center, various activity and common areas and underground parking. The master plan, referred to as the Redstone Project, was designed to meet the needs of the organization by providing additional housing and facilities for residents, which is consistent with the Home's tax exempt status. In August 2012, the Board of Directors approved to discontinue the Redstone Project.

A line of credit for approximately $7.0 million (Note 7) and mortgage loan for $2.0 million (Note 9) were designated for the Redstone Project.

As of December 31, 2012 approximately $13.5 million had been expended. Property purchased for the project was sold for $5.2 million, the mortgage loan for $2.0 million was paid off and $1.2 million in principal payments have been paid on the line of credit. As a result of the discontinuance of the Redstone Project, the Home incurred a loss of approximately $2.3 million associated with the write off of pre-development costs.

As of December 31, 2013, the remaining debt consisted of the line of credit. During 2013, principal and interest payments of $1.0 million were expended.

CALIFORNIA P.E.O. HOME
DBA NAVIGAGE

SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013
with Comparative Totals for the Year Ended December 31, 2012

	PROGRAM SERVICES						SUPPORTING SERVICES				
	Health Care	Assisted Living	Independent Living	Housekeeping, Laundry and Dietary	Sherpa	Total Program Services	General and Administrative	Plant Operations Maintenance	Total Supporting Services	Total Expenses 2013	Total Expenses 2012
Salaries and wages	$ 777,161	$ 124,665	$ 85,406	$ 204,128	$ 355,080	$1,546,440	$ 582,743	$ 184,699	$ 767,442	$ 2,313,882	$ 2,259,663
Employee benefits	161,493	25,316	11,858	34,008	66,323	298,998	159,348	47,802	207,150	506,148	548,421
Workers' compensation insurance	76,281	25,109	8,544	20,129	2,345	132,408	17,905	25,267	43,172	175,580	136,814
Other administrative expenses	1,654		3,674	837	3,927	10,092	95,146	209	95,355	105,447	81,919
Dues, licenses and subscriptions					1,394	1,394	38,257		38,257	39,651	38,850
Insurance						-	204,492		204,492	204,492	197,676
Interest expense - external						-	253,121		253,121	253,121	381,326
Interest expense - internal						-	38,907		38,907	38,907	48,687
Professional fees	30,739				10,280	41,019	114,211		114,211	155,230	110,440
Contract services				124,249		124,249			-	124,249	156,399
Purchased services	26,116	4,117	11,164	9,808		51,205	190,330	48,167	238,497	289,702	336,852
Marketing support and promotion					886,893	886,893			-	886,893	-
Events					5,510	5,510			-	5,510	-
Fund raising and fund development						-			-	-	166
Repairs and maintenance						-		28,273	28,273	28,273	40,385
Supplies and equipment	67,506	1,118	2,696	177,278	48,242	296,840	22,242	17,850	40,092	336,932	360,844
Taxes						-	23,294		23,294	23,294	77,384
Telephone	1,445		1,934		3,690	7,069	8,429	1,336	9,765	16,834	11,239
Board expense						-	14,923		14,923	14,923	4,599
Utilities						-		207,888	207,888	207,888	178,340
Total expenses before Redstone marketing and depreciation	1,142,395	180,325	125,276	570,437	1,383,684	3,402,117	1,763,348	561,491	2,324,839	5,726,956	4,970,004
Redstone marketing						-			-	-	158,338
Depreciation						-		325,098	325,098	325,098	415,813
	$1,142,395	$ 180,325	$ 125,276	$ 570,437	$1,383,684	$3,402,117	$ 1,763,348	$ 886,589	$ 2,649,937	$ 6,052,054	$ 5,544,155

See Independent Auditor's Report

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APR 30 2014
CONTINUING CARE
CONTRACTS BRANCH

CALIFORNIA P.E.O. HOME
DBA NAVIGAGE

STATE OF CALIFORNIA
CONTINUING CARE RESERVE REPORT

For the Year Ended December 31, 2013
and
Independent Auditor's Report

VICENTI ♦ LLOYD ♦ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

INDEPENDENT AUDITOR'S REPORT

RECEIVED
APR 30 2014
CONTINUING CARE
CONTRACTS BRANCH

Board of Trustees
California P.E.O. Home
DBA Navigage

We have audited the accompanying continuing care reserve report of California P.E.O. Home dba Navigage (the Home), a California Not-For-Profit Corporation, as of and for the year ended December 31, 2013.

Management's Responsibility for the Continuing Care Reserve Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the continuing care reserve 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 continuing care reserve report is free of material misstatement.

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

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

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Opinion

In our opinion, such continuing care reserve report Forms 5-1 through 5-5 present fairly, in all material respects, the liquid reserve requirements of the Home at December 31, 2013, in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

Basis of Accounting

The continuing care reserve report is prepared for the purpose of complying with the California Health and Safety Code Section 1792 and is not intended to be a complete presentation of the Home's assets, liabilities, revenues and expenses and as such is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Restriction of Use

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

Vicenti, Lloyd & Stutzman, LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
April 25, 2014

FORM 1-1
RESIDENT POPULATION - ALHAMBRA

LINE	CONTINUING CARE RESIDENTS	TOTAL
1	NUMBER AT BEGINNING OF FISCAL YEAR	36
2	NUMBER AT END OF FISCAL YEAR	29
3	TOTAL LINES 1 AND 2	65
4	MULTIPLY LINE 3 BY ".50" AND ENTER RESULT ON LINE 5	x.50
5	MEAN NUMBER OF CONTINUING CARE RESIDENTS	33
	ALL RESIDENTS	
6	NUMBER AT BEGINNING OF FISCAL YEAR	45
7	NUMBER AT END OF FISCAL YEAR	40
8	TOTAL LINES 6 AND 7	85
9	MULTIPLY LINE 8 BY ".50" AND ENTER RESULT ON LINE 10	x.50
10	MEAN NUMBER OF ALL RESIDENTS	43
11	DIVIDE LINE 5 BY LINE 10 AND ENTER THE RESULT	0.77

FORM 1-2
ANNUAL PROVIDER FEE

LINE			TOTAL
1	TOTAL OPERATING EXPENSES		6,052,054
a	DEPRECIATION	325,098	
b	DEBT SERVICE(INTEREST ONLY)	292,028	
2	SUBTOTAL (add Line 1a and 1b)		617,126
3	SUBTRACT LINE 2 FROM LINE 1 AND ENTER RESULT		5,434,928
4	PERCENTAGE ALLOCATED TO CONTINUING CARE RESIDENT (LINE11)		0.77
5	TOTAL OPERATING EXPENSE OF CONTINUING CARE RESIDENTS MULTIPLY LINE 3 BY LINE 4		4,184,895
6	**TOTAL AMOUNT DUE** (LINE 5 BY .001)		**4,185**

PROVIDER: **CALIFORNIA P.E.O. HOME**

COMMUNITY: **MARGUERITE GARDENS**

FORM 1-1 and FORM 1-2

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	8/26/2008	747,702	252,298	0	1,000,000
2	2/22/2008	6,072	823	0	6,895
3					
4					
5					
6					
7					
8					
		TOTAL	253,121	0	1,006,895
					(Transfer this amount to Form 5-3, line 1)

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

Provider: **California PEO Home**

Comments from Provider: 1) Line of Credit - $5,088,932 as of December 31, 2013.
Quarterly payments of $250,000 were made towards the principle and the interest in 2013.
2) Capital lease - Balance is $0 as of December 31, 2013.

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					
3					
4					
5					
	TOTAL	0	0	0	0

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

Comments from Provider:

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

Provider: **California P.E.O. Home**

Comments from Provider: For the year ended December 31, 2013 net inter-fund activity totaled $1,658,323. This debt is excluded from Form 5-2 as the Home has classified this debt as short term borrowing.

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

MOUNT			TOTAL
1	TOTAL OPERATING EXPENSE FROM FINANCIAL STATEMENT		6,052,054
2	DEDUCTIONS		
a	INTEREST PAID ON LONG-TERM DEBT	292,028	
b	CREDIT ENHANCEMENT PREMIUMS PAID FOR LONG-TERM DEBT	0	
c	DEPRECIATION	325,098	
d	AMORTIZATION	0	
e	REVENUE RECEIVED DURING FISCAL YEAR FOR SERVICES TO RESIDENTS WHO DID NOT HAVE A CONTINUING CARE CONTRACT	528,225	
f	EXTRAORDINARY EXPENSES APPROVED BY THE DEPARTMENT	0	
3	TOTAL DEDUCTIONS		1,145,351
4	NET OPERATING EXPENSES		4,906,703
5	DIVIDE LINE 4 BY 365 AND ENTER THE RESULT		13,443
6	**MUTIPLY LINE 5 BY 75 AND ENTER THE RESULT**		
	THIS IS THE PROVIDER'S OPERATING EXPENSE RESERVE AMT		**1,008,225**

PROVIDER: CALIFORNIA PEO HOME

COMMUNITY: MARGUERITE GARDENS

NON-CCRC RESIDENTS FEE FOR FY 12/13

ALHAMBRA

NAME	ADM DATE	DISCH DATE	Monthly fees	P/C fees	parking		phone	TOTAL FY 12/13 REVENUE	TOTAL BY LEVEL
ILU									
								-	
ALU									
								-	
								-	-
SNF									
ELLIS, BEATRICE	8/14/2011		89,060				312	89,372	
VONWAHLDE, GEORGE B.	11/19/2013		10,492				-	10,492	99,864
MEDI-CAL RATE			per day						
			161.31/161.43						
CHIU, KUNG ON	3/5/2013	3/18/2013	2,260					2,260	
DOKES, LILLIAN	4/25/2011		58,885					58,885	
GALINDO, BENJAMIN	8/13/2013	11/19/2013	10,715					10,715	
GONZALEZ, HECTOR H.	11/14/2013		7,743					7,743	
GOVEA, RICHARD	3/28/2011	2/15/2013	7,264					7,264	
HARRISON, SALLIE M.	7/16/2013		27,263					27,263	
HAVECKER, ELIZABETH	3/23/2011		58,537					58,537	
HERNANDEZ, ZENAIDA	3/25/2011	2/15/2013	7,246					7,246	
KUJOLIC, RUTH	10/1/2011		58,904					58,904	
MAUL, ANN N.	6/24/2013		30,815					30,815	
MOSIER, MARY F.	11/19/2013		6,936					6,936	
NAKATSUKA, HATSUKO	4/11/2011	1/9/2013	1,291					1,291	
NUNEZ, EDUARDO	2/27/2013	3/7/2013	1,291					1,291	
RIVERA, ROSA	4/1/2013	4/27/2013	4,818					4,818	
SORTEBERG, DORIS	5/2/2011		58,904					58,904	
THAI, LIEN	5/20/2013	8/25/2013	15,609					15,609	
VILLAGOMEZ-BENITES, ENRIQUETA	4/6/2011		58,904					58,904	417,385
									517,249
				Non-CCRC resident revenue				**517,249**	
			GUEST/EMP MEAL REVENUE					-	-
			SUPP & SERV MISC- from non-residents					1,258	1,258
			CATERING REVENUE					-	-
			GUEST ROOM RENTAL REVENUE					9,718	9,718
				TOTAL NON-RES REVENUE				**528,225**	
			SUPP & SERV MISC- Residents						10,957
			PARKING						840
			LAUNDRY, LINEN						355
			PROCESSING FEE						-
			PHONE						9,264
									21,416
			CONT. ADJ						
									21,416

NON-CCRC RESIDENTS FEE FOR FY 12/13

California P.E.O. Home
Continuing Care Contract Annual Report -
Reconciliation Page
December 31, 2013

Form 5-4

[2] [e] Revenues received during the fiscal year for services to residents who did not have a continuing care contract:

Cash received from residents (Statement of Cash Flows)	2,441,124
Continuing Care Contract monthly fees:	
Marguerite Gardens	(1,912,899)
	528,225

Detailed Explanation on Deduction:

Resident fees (non-continuing care)	
Marguerite Gardens	-
Assisted Living Fees	
Marguerite Gardens	-
Skilled Nursing Facility	
Marguerite Gardens	517,249
Other non-resident revenue	
Marguerite Gardens	10,976
	528,225

FORM 5-5
ANNUAL RESERVE CERTIFICATION

PROVIDER NAME: CALIFORNIA PEO HOME
FISCAL YEAR ENDED: 12/31/13

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/13 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	1,006,895
2	OPERATING EXPENSE RESERVE AMOUNT	1,008,225
3	**TOTAL LIQUID RESERVE AMOUNT**	**2,015,120**

QUALIFYING ASSETS SUFFICIENT TO FULFILL THE ABOVE REQUIREMENTS ARE HELD AS FOLLOWS:

		AMOUNT (MARKET VALUE AT END OF YEAR)			
	QUALIFYING ASSETS DESCRIPTION		**DEBT SERVICE RESERVE**		**OPERATING RESERVE**
4	CASH AND CASH EQUIVALENTS				657,850
5	INVESTMENT SECURITIES		5,943,195		
6	EQUITY SECURITIES				3,908,146
7	UNUSED/AVAIL. LINES OF CREDIT				
8	UNUSED/AVAIL. LETTERS OF CREDIT				
9	DEBT SERVICE RESERVE				
10	OTHER: (DESCRIBE)				
	TOTAL AMOUNT OF QUALIFYING ASSETS LISTED FOR RESERVE OBLIGATION:	11	5,943,195	12	4,565,996
	RESERVE OBLIGATION AMOUNT	13	1,006,895	14	1,008,225
	SUPLUS / (DEFICIENCY)	15	4,936,300	16	3,557,771

SIGNATURE: [signature]
AUTHORIZED REPRESENTATIVE

DATE 4-28-14

Chief Executive Officer
TITLE

CCRC FORM 5-5 WORKSHEET
FY12/13

		ALH	SJ	TREAS	TOTAL
CASH					
	CONCENT ACCT	-	-	-	
	CHECKING	98,586.73	-	-	
	PAYROLL	0.44	-	-	
	SHORTER	-	-	-	
	SUNSHINE	12,121.07	-	-	
	PETTY CASH	4,000.00	-	-	
	WELLS FARGO	-	-	-	
		114,708.24	-	-	114,708.24
	UNRESTRICTED MONEY MARKET				543,141.72
	TOTAL CASH AND EQUIVALENT				**657,849.96**
				CK	657,849.96
					-
UNRESTRICTED INVESTMENT SECURITIES					
	FIXED INCOME, A RATED			5,943,194.96	5,943,194.96
	FIXED INCOME, B RATED			-	
	(Norfolk Southern)			5,943,194.96	
					5,943,194.96
	EQUITY SECURITIES			**3,908,145.60**	
	CASH & EQUIV			657,849.96	
	TOTAL PORTFOLIO			10,509,190.52	
			CK	10,509,190.52	
				-	

DSS - Reserve Report Part of Form 5-5
Description of Reserves Under SB 1212

Total Qualifying Assets as Filed:		
Cash and Cash Equivalents	657,850	
Investment Securities	9,851,341	Investment policy is roughly 70% fixed income and 30% equities
Unused Line of Credit	-	
Total Qualifying Assets as Filed	10,509,191	
Reservations and Designations:		
None		
Remaining Liquid Reserves	10,509,191	

Per Capital Cost of Operations

Operating Expenses (Form 5-4, line #1)	6,052,054
Mean # of CCRC Residents (Forn 1-1, line #10)	43
Per Capita Cost of Operations	140,745

FINANCE SUMMARY

FOR FORM 1

	FY 12/13 ALH	SJ	Treas	TOTAL
OPER. EXP	6,052,054	-	-	6,052,054
DEPR	325,098	-	-	325,098
LOC INT. & MORTGAGE	252,298	-	-	252,298
CAPITAL LEASE	823	-	-	823
ENDOWMENT FUND BORROWING	1,594	-	-	1,594

FOR DISCLOSURE

CONSOLIDATED	FY12/10	FY11	FY12	FY13	
OPERATING REVENUE	3,241,781	4,233,502	3,764,634	3,224,903	
AMORT. ENT FEE	(171,199)	(241,030)	(218,446)	(133,831)	
	3,070,582	**3,992,472**	**3,546,188**	**3,091,072**	
OPERATING EXP	5,704,400	6,916,978	5,544,155	6,052,054	
AMORTIZATION	-26,667	-26,667	-21,333	0	
DEPRECIATION	-842,055	-831,474	-415,813	-325,098	
	4,835,678	**6,058,837**	**5,107,009**	**5,726,956**	
LOC INTEREST, LEASE & MORTGAGE	**357,132**	**426,649**	**381,326**	**292,028**	**292,028**

ABB

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4/25/14

RECEIVED
APR 30 2014
CONTINUING CARE CONTRACTS BRANCH

FACILITY NAME: Marguerite Gardens
ADDRESS: 700 N. Stoneman Avenue, Alhambra, California ZIP CODE: 91801 PHONE: (626) 300-0400
PROVIDER NAME: California P.E.O. Home FACILITY OPERATOR: California P.E.O. Home
RELATED FACILITIES: None RELIGIOUS AFFILIATION: None
YEAR OPENED: 1976 # OF ACRES: 2.19 ☐ SINGLE STORY ☐ MULTI-STORY ☑ OTHER: Both MILES TO SHOPPING CTR: 1 MILES TO HOSPITAL: 3

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS — STUDIO:	58	ASSISTED LIVING:	26
APARTMENTS — 1 BDRM:	16	SKILLED NURSING:	44
APARTMENTS — 2 BDRM:	1	SPECIAL CARE:	
COTTAGES/HOUSES:		DESCRIBE SPECIAL CARE:	Non-CCRC
RLU OCCUPANCY (%) AT YEAR END:	28%		

TYPE OF OWNERSHIP: ☑ NOT-FOR-PROFIT ☐ FOR- PROFIT ACCREDITED?: ☐ YES ☑ NO BY:

FORM OF CONTRACT: (Check all that apply) ☑ CONTINUING CARE ☐ LIFE CARE ☐ ENTRANCE FEE ☐ FEE FOR SERVICE ☐ ASSIGNMENT OF ASSETS ☐ EQUITY ☐ MEMBERSHIP ☐ RENTAL

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

RANGE OF ENTRANCE FEES: $ 67,000 TO $ 200,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☑ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: None

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: N/A OTHER: None

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): Two residents attend all of the board meetings.

FACILITY SERVICES AND AMENITIES

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

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: California P.E.O. Home

CCRCs	LOCATION (City, State)	PHONE (with area code)
Marguerite Gardens	Alhambra, California	(626) 300-0400

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: California P.E.O. Homes

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	3,070,582	3,992,472	3,546,188	3,091,072
LESS OPERATING EXPENSES (excluding depreciation, amortization, and interest)	4,478,546	5,632,188	4,725,683	5,434,928
NET INCOME FROM OPERATIONS	(1,407,964)	(1,639,716)	(1,179,495)	(2,343,856)
LESS INTEREST EXPENSE	(357,132)	(426,649)	(381,326)	(292,028)
PLUS CONTRIBUTIONS	362,289	867,259	385,460	108,785
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	445,956	(133,356)	(1,253,612)	1,371,942
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(956,851)	(1,332,462)	(2,428,973)	(1,155,157)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	-	(40,822)	(125)	-

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
American Business Bank (Line of Credit is secured by the unrestricted investment account)	$ 5,088,932	4.50%	8/26/2008	3/31/2014	Option to renew annually

FINANCIAL RATIOS
(see next page for ratio formula)

	2012 CCAC Medians 50th Percentile *(optional)*	2011	2012	2013
DEBT TO ASSET RATIO		31%	25%	23%
OPERATING RATIO		152%	144%	185%
DEBT SERVICE COVERAGE RATIO		(1.17)	(0.29)	(2.19)
DAYS CASH-ON-HAND RATIO		640	784	670

HISTORICAL MONTHLY SERVICE FEES
(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO	2,396	5.41%	2,533	4.95%	2,665	7.91%	2,894
ONE BEDROOM	3,281	9.64%	3,631	3.97%	3,781	-3.08%	3,668
TWO BEDROOM	3,160	4.82%	3,320	16.37%	3,970	0.75%	4,000
COTTAGE/HOUSE	N/A		N/A		N/A		N/A
ASSISTED LIVING	3,729	9.88%	4,138	5.85%	4,395	1.90%	4,480
SKILLED NURSING	6,467	-14.39%	5,671	5.94%	6,029	5.52%	6,381
SPECIAL CARE	N/A		N/A		N/A		N/A

COMMENTS FROM PROVIDER: Historical monthly fee is the average fee charged to existing residents.

PROVIDER NAME: California P.E.O. Home

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

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

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.

KEY INDICATORS REPORT

Date Prepared: 5/13/2014

California P.E.O. Home

Chief Executive Officer Signature

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

						Projected	Forecast				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	66.00%	55.00%	46.36%	36.16%	28.65%	27.59%	26.90%	26.90%	26.21%	20.00%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	-39.67%	-33.72%	-46.05%	-39.19%	-64.58%	-34.04%	-98.21%	-77.12%	-59.17%	-50.00%	↑
3. Net Operating Margin - Adjusted (%)	-140.71%	-103.28%	-72.60%	-47.27%	-75.10%	-41.32%	-100.00%	-83.33%	-66.67%	-55.00%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	$10,884	$9,112	$10,648	$11,021	$10,509	$7,000	$5,000	$3,000	$2,000	$1,000	↑
5. Days Cash on Hand (Unrestricted)	696	473	640	784	670	435	311	187	124	62	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000)	$1,504	$1,177	$724	$505	$134	$120	$166	$46	$0	$0	N/A
7. Net Annual E/F proceeds ($000)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	N/A
8. Unrestricted Net Assets ($000)	$21,530	$20,414	$10,468	$10,343	$10,424	$3,250	$3,000	$2,000	$1,000	$500	N/A
9. Annual Capital Asset Expenditure ($000)	$7,082	$1,695	$931	$2,013	$40	$30	$20	$15	$10	$5	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	0.00	0.00	0.00	-0.39	0.00	0.00	0.00	0.00	0.00	0.00	↑
11. Annual Debt Service Coverage (x)	0	0	-1.17	-0.29	-2.19	0	0	0	0	0	↑
12. Annual Debt Service/Revenue (%)	0.00%	0.00%	0.00%	116.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	↓
13. Average Annual Effective Interest Rate (%)	0.00%	0.00%	0.00%	3.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	0	0	0	212.72	0.00%	0	0	0	0	0	↑
15. Average Age of Facility (years)	12.82	12.28	13.85	31.32	40.84	41.24	58.65	62.58	67.95	70	↓

California
P.E.O. HOME

700 N. Stoneman Ave.
Alhambra, CA
91801-1408

Tel 626. 300. 3711
Fax 626. 299. 4235
www.capeohome.org

2014 CCRC Financial Report

The key indicator report being submitted this year reflects major changes for the organization. In the summer of 2012 the Board of Directors made the decision to table the repositioning plan for the Redstone project. This was due to lack of presales and market response to the traditional CCRC model. Further, the board confirmed the decision to continue to operate the existing facility for the immediate future and fulfill all the contract obligations for the existing residents. Also, active marketing for new residents was halted with the exception being outside short term admissions to skilled nursing. The key indicator report reflects the financial impact of a decreasing census and project "wind down" costs.

Future plans will be to continue operating until such time that census levels and/or financial cost dictate alternatives. One way the organization is refocusing its business is towards servicing the "Baby Boomer" market through a member program called Sherpa. The keystone of Sherpa is personal service and exceptional experiences. The official launch of the program was the week of June 3, 2013. During the past 10 months of market test, Sherpa has gained over 300 members and is pursuing a strategy of promoting the program to businesses as well as individuals.

The organization's financial reserves, liquidity from days cash on hand, lack of debt through paying off this year the line of credit we have had since 2006, and owning our land (free and clear) will allow flexibility in response to current and future financial/capital needs. If there are further questions, please contact us.