

ANNUAL REPORT CHECKLIST

PROVIDER(S): Monte Vista Grove Homes

CCRC(S): Monte Vista Grove Homes

RECEIVED
JUN 24 2014

CONTINUING CARE
CONTRACTS BRANCH

CONTACT PERSON: Kim Houser

TELEPHONE NO.: (626) 796-6135, ext 436 EMAIL: khouser@mvgh.org

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

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$ 2,386
 - If applicable, late fee in the amount of: \$ _____
- Certification by the provider's **Chief Executive Officer** that:
 - The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for **each** community.
- Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.



WILL LIGHTBOURNE
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES

744 P Street • Sacramento, CA 95814 • www.cdss.ca.gov



EDMUND G. BROWN JR.
GOVERNOR

February 5, 2014

Ms. Kim Houser
Monte Vista Grove Homes
2889 San Pasqual Street
Pasadena, California 91107

Dear Ms. Houser:

This is in response to your February 5, 2014, request for an extension in filing the annual audited financial statements and reserve reports for Monte Vista Grove Homes for fiscal year ending December 31, 2013. Based on the information provided, the Department will allow an additional time for the submission of the annual report. The annual report must be submitted by June 30, 2014. Please note that if the annual report is postmarked after that date, the \$1,000 late fee will be imposed as of May 31, 2014, and additional fines of \$33 per day will accrue until the annual report is received.

Also as a reminder, Health & Safety Code section 1792.9 requires providers to submit a Key Indicators Report (KIR) within 30 days following the due date of the provider's annual report (in your case, the KIR is now due July 31, 2014). If the KIR is not postmarked by that date, the Department will impose a late fee of \$1,000 as of June 30, 2014, and additional fines of \$33 per day thereafter until the KIR is received.

If you have any questions, you may contact me at (916) 657-2592 or by email at allison.nakatomi@dss.ca.gov.

Sincerely,


Allison Nakatomi, Manager
Continuing Care Contracts Branch

Monte Vista Grove
HOMES

2889 San Pasqual Street, Pasadena, California 91107

Phone: (626) 796-6135
Fax: (626) 796-9753
Website: www.mvgh.org

June 11, 2014

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Continuing Care Contracts Branch
California Department of Social Services
744 P Street, M.S. 10-90
Sacramento, California 95814

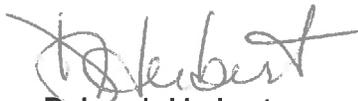
To the Continuing Care Contracts Branch
of the California Department of Social Services:

In accordance with Section 1790 of the Health and Safety Code, I hereby certify that the enclosed annual audited financial statements and Annual Report for reserve and reporting requirements for continuing care retirement communities are true and correct to the best of my knowledge.

I further certify that the contracts currently in use for new residents at Monte Vista Grove Homes have been approved by the Department of Social Services.

Finally, as of the date indicated above, I certify that Monte Vista Grove Homes is maintaining the required liquid reserve indicated on Form 5-5 of the Annual Report. Monte Vista Grove Homes. Monte Vista Grove Homes does not have "Refundable Contracts" as defined by the State of California Continuing Care Statutes; therefore the "Refund Reserve" requirement under the Health and Safety Code Section 1792.6 does not apply.

Sincerely,



Deborah Herbert
Executive Director

SURETY BOND VERIFICATION

Reply to: California Department of Public Health
Licensing and Certification Program
Centralized Applications Unit
P.O. Box 997377, MS 3402
Sacramento, CA 95899-7377

RECEIVED
Bond Number:
W150166526
JUN 24 2014
CONTINUING CARE
CONTRACTS BRANCH

California Health and Safety Code, Section 1318, Chapter 2, Division 2, requires that licensed health facilities that handle money in excess of \$25 per patient or over \$500 for all patients in any month, be bonded for not less than \$1,000. This is to serve as a guarantee for the faithful and honest handling of the money of such patients.

INSTRUCTIONS: This form is to be completed by the bonding agency. In addition, attach an *original copy of the bond*. In the event of cancellation of the bond, please send notice to the above licensing office.

BE IT KNOWN THAT:

Facility name MONTE VISTA GROVE HOMES

Facility address 2889 San Pasqual City Pasadena County Los Angeles ZIP code 91107

State of California, as *Principal*, and

Bonding agency OLD REPUBLIC SURETY COMPANY

Agency address 18300 Von Karman Ave., Suite 640 City Irvine County Orange ZIP code 92612

State of California, as *Surety*, are held and firmly bound unto the STATE OF CALIFORNIA in the full and just sum of

THREE THOUSAND AND 00/100*** DOLLARS (\$3,000.00*****), for the payment of which the said Principal and said Surety bind themselves, their respective heirs, successors, and assigns, jointly and severally, firmly by these presents.

The **CONDITION** of this obligation is such that

WHEREAS, the Principal has applied for or has been issued a license by the California Department of Public Health to maintain or conduct a health facility pursuant to Chapter 2, Division 2, of the Health and Safety Code of the State of California; and

WHEREAS, by the terms of Section 1318 of said code, the Principal is required to file with the California Department of Public Health, Licensing and Certification, the bond running to the State of California.

NOW, THEREFORE, if the above bounden Principal shall faithfully and honestly handle money of patients in the care of said Principal, then this obligation shall be null and void; otherwise to remain in full force and effect.

Every patient injured as a result of any improper or unlawful handling of the money of a patient of a health facility may bring an action in a proper court on the bond required to be posted by the licensee pursuant to this section for the amount of damage he/she suffered as a result thereof to the extent covered by the bond.

This bond may be canceled by the Surety in accordance with the provisions of Section 996.310 et seq. of the Code of Civil Procedure. This bond is effective 08/16/13 and continuous.

Date

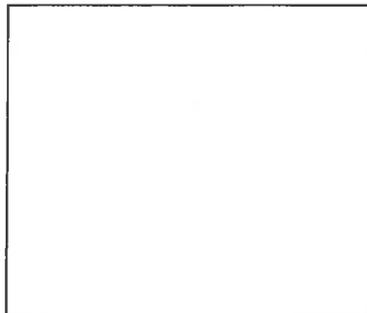
IN WITNESS WHEREOF, we have subscribed our names and impressed our seal this 30th Day, May Month, 2014 Year.

Angela H. Shepherd, Attorney-in-Fact

Bonding agent name (please print)

Angela H. Shepherd
Bonding agent signature

BONDING AGENCY SEAL



POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That OLD REPUBLIC SURETY COMPANY, a Wisconsin stock insurance corporation, does make, constitute and appoint:

WRENETTA J. WALKER, SHANNON N. DIXON, ANGELA H SHEPHERD, OF IRVINE, CA

its true and lawful Attorney(s)-in-Fact, with full power and authority, not exceeding \$20,000,000, for and on behalf of the company as surety, to execute and deliver and affix the seal of the company thereto (if a seal is required), bonds, undertakings, recognizances or other written obligations in the nature thereof, (other than bail bonds, bank depository bonds, mortgage deficiency bonds, mortgage guaranty bonds, guarantees of installment paper and note guaranty bonds, self-insurance workers compensation bonds guaranteeing payment of benefits, asbestos abatement contract bonds, waste management bonds, hazardous waste remediation bonds or black lung bonds), as follows:

ALL WRITTEN INSTRUMENTS

and to bind OLD REPUBLIC SURETY COMPANY thereby, and all of the acts of said Attorneys-in-Fact, pursuant to these presents, are ratified and confirmed. This document is not valid unless printed on colored background and is multi-colored. This appointment is made under and by authority of the board of directors at a special meeting held on February 18, 1982. This Power of Attorney is signed and sealed by facsimile under and by the authority of the following resolutions adopted by the board of directors of the OLD REPUBLIC SURETY COMPANY on February 18, 1982.

RESOLVED that, the president, any vice-president, or assistant vice president, in conjunction with the secretary or any assistant secretary, may appoint attorneys-in-fact or agents with authority as defined or limited in the instrument evidencing the appointment in each case, for and on behalf of the company to execute and deliver and affix the seal of the company to bonds, undertakings, recognizances, and suretyship obligations of all kinds; and said officers may remove any such attorney-in-fact or agent and revoke any Power of Attorney previously granted to such person.

RESOLVED FURTHER, that any bond, undertaking, recognizance, or suretyship obligation shall be valid and binding upon the Company

- (i) when signed by the president, any vice president or assistant vice president, and attested and sealed (if a seal be required) by any secretary or assistant secretary; or
- (ii) when signed by the president, any vice president or assistant vice president, secretary or assistant secretary, and countersigned and sealed (if a seal be required) by a duly authorized attorney-in-fact or agent; or
- (iii) when duly executed and sealed (if a seal be required) by one or more attorneys-in-fact or agents pursuant to and within the limits of the authority evidenced by the Power of Attorney issued by the company to such person or persons.

RESOLVED FURTHER, that the signature of any authorized officer and the seal of the company may be affixed by facsimile to any Power of Attorney or certification thereof authorizing the execution and delivery of any bond, undertaking, recognizance, or other suretyship obligations of the company; and such signature and seal when so used shall have the same force and effect as though manually affixed.

IN WITNESS WHEREOF, OLD REPUBLIC SURETY COMPANY has caused these presents to be signed by its proper officer, and its corporate seal to be affixed this 25TH day of JULY, 2013.

OLD REPUBLIC SURETY COMPANY

Phyllis M Johnson
Assistant Secretary



Alan Pavlic
President

STATE OF WISCONSIN, COUNTY OF WAUKESHA-SS

On this 26TH day of JULY, 2013, personally came before me, Alan Pavlic and Phyllis M. Johnson, to me known to be the individuals and officers of the OLD REPUBLIC SURETY COMPANY who executed the above instrument, and they each acknowledged the execution of the same, and being by me duly sworn, did severally depose and say, that they are the said officers of the corporation aforesaid, and that the seal affixed to the above instrument is the seal of the corporation, and that said corporate seal and their signatures as such officers were duly affixed and subscribed to the said instrument by the authority of the board of directors of said corporation.



Kathryn R. Pearson
Notary Public
My commission expires: 9/28/2014

CERTIFICATE

I, the undersigned, assistant secretary of the OLD REPUBLIC SURETY COMPANY, a Wisconsin corporation, CERTIFY that the foregoing and attached Power of Attorney remains in full force and has not been revoked; and furthermore, that the Resolutions of the board of directors set forth in the Power of Attorney, are now in force.

74-3544



Signed and sealed at the City of Brookfield, WI this 30th day of May, 2014

Janet E. Cherry
Assistant Secretary

OLD REPUBLIC SURETY COMPANY

THIS DOCUMENT HAS A COLORED BACKGROUND AND IS MULTICOLORED ON THE FACE. THE COMPANY LOGO APPEARS ON THE BACK OF THIS DOCUMENT AS A WATERMARK. IF THESE FEATURES ARE ABSENT, THIS DOCUMENT IS VOID.

CALIFORNIA ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

State of California

County of Orange

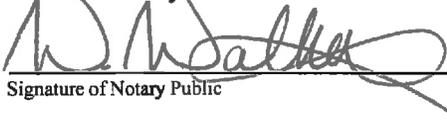
On May 30, 2014 before me, W. Walker, Notary Public
(Here insert name and title of the officer)

personally appeared Angela H. Shepherd

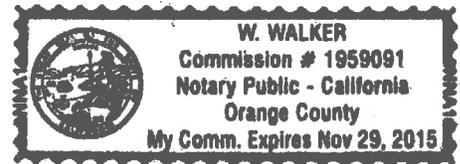
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) ~~is~~ is are subscribed to the within instrument and acknowledged to me that ~~he~~ she ~~they~~ executed the same in his ~~her~~ her ~~their~~ authorized capacity(ies), and that by his ~~her~~ her ~~their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.


Signature of Notary Public

(Notary Seal)



ADDITIONAL OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED DOCUMENT

W150166526 - Monte Vista Grove Homes, inc.

(Title or description of attached document)

Surety Bond Verification

(Title or description of attached document continued)

Number of Pages one Document Date 5-30-14

CA Dept. of Public Health

(Additional information)

CAPACITY CLAIMED BY THE SIGNER

- Individual (s)
 Corporate Officer

(Title)

- Partner(s)
 Attorney-in-Fact
 Trustee(s)
 Other _____

INSTRUCTIONS FOR COMPLETING THIS FORM

Any acknowledgment completed in California must contain verbiage exactly as appears above in the notary section or a separate acknowledgment form must be properly completed and attached to that document. The only exception is if a document is to be recorded outside of California. In such instances, any alternative acknowledgment verbiage as may be printed on such a document so long as the verbiage does not require the notary to do something that is illegal for a notary in California (i.e. certifying the authorized capacity of the signer). Please check the document carefully for proper notarial wording and attach this form if required.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public for acknowledgment.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the acknowledgment is completed.
- The notary public must print his or her name as it appears within his or her commission followed by a comma and then your title (notary public).
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Indicate the correct singular or plural forms by crossing off incorrect forms (i.e. ~~he~~/~~she~~/~~they~~, ~~is~~ /~~are~~) or circling the correct forms. Failure to correctly indicate this information may lead to rejection of document recording.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different acknowledgment form.
- Signature of the notary public must match the signature on file with the office of the county clerk.
 - ❖ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document.
 - ❖ Indicate title or type of attached document, number of pages and date.
 - ❖ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document

R E C E I V E D
JUN 24 2014

CONTINUING CARE
CONTRACTS BRANCH

Consolidated Financial Statements

MONTE VISTA GROVE HOMES AND SUBSIDIARY

For the Year Ended December 31, 2013

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Consolidated Financial Statements

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MARTIN WERBELOW LP
CERTIFIED PUBLIC ACCOUNTANTS
300 NO. LAKE AVE., STE. 930, PASADENA, CA 91101
TEL: (626) 577-1440 FAX: (626) 577-1082

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JUN 24 2014
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Monte Vista Grove Homes and Subsidiary

We have audited the accompanying consolidated financial statements of Monte Vista Grove Homes (a nonprofit California corporation) and Subsidiary (the "Organization") which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Trustees of
Monte Vista Grove Homes and Subsidiary

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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 Organization's 2012 financial statements, and our report dated May 16, 2013, expressed an unmodified opinion on those 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.



June 11, 2014

MONTE VISTA GROVE HOMES & SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
With Comparative Totals For 2012

ASSETS

	2013	2012
Current Assets		
Cash and cash equivalents	\$ 423,386	\$ 193,961
Accounts receivable, net	775,188	685,692
Unconditional promises to give	86,514	101,464
Inventories	51,402	38,715
Prepaid expenses and other assets	217,503	175,997
Total Current Assets	1,553,993	1,195,829
Property and Equipment, Net	6,654,645	7,178,977
Other Assets		
Investments	9,847,985	8,560,677
Long-term unconditional promises to give	17,388	90,782
Split-interest agreements	40,181	34,653
Memorial funds	259,565	244,462
Master development plan	213,097	188,197
Total Other Assets	10,378,216	9,118,771
Total Assets	\$18,586,854	\$17,493,577

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ 163,626	\$ 167,576
Accrued payroll and employee benefits	272,525	243,073
Lease obligation, current portion	4,073	7,523
Total Current Liabilities	440,224	418,172
Other Liabilities		
Lease obligation, net of current portion	-	4,073
Deferred revenue from entrance fees	111,712	-
Deposits and other liabilities	265,879	240,424
Total Other Liabilities	377,591	244,497
Total Liabilities	817,815	662,669
Net Assets		
Unrestricted net assets	15,780,006	14,935,938
Temporarily restricted net assets	272,656	256,815
Permanently restricted net assets	1,716,377	1,638,155
Total Net Assets	17,769,039	16,830,908
Total Liabilities and Net Assets	\$18,586,854	\$17,493,577

The accompanying notes are an integral part of these statements.

**MONTE VISTA GROVE HOMES & SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
With Comparative Totals For 2012**

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public Support, Revenue, and Gains from Operations					
Public support:					
Contributions - residents	\$ 608,101	\$ 53,224	\$ 131,555	\$ 792,880	\$ 940,566
Contributions - other	193,256	145,966	10,975	350,197	412,537
Legacies and bequests	10,893	-	-	10,893	12,216
Total Public Support	812,250	199,190	142,530	1,153,970	1,365,319
Revenue:					
Skilled nursing	2,384,304	-	-	2,384,304	2,292,287
Skilled nursing - ancillary services	767,574	-	-	767,574	529,213
Assisted living	472,922	-	-	472,922	519,923
Independent living	726,848	-	-	726,848	757,981
Dietary	1,010,055	-	-	1,010,055	967,096
Amortization of entrance fees	1,978	-	-	1,978	-
Other revenue	179,065	-	-	179,065	150,945
Realized gains on investments	1,104,365	-	21,455	1,125,820	149,109
Investment income, net	169,383	67,854	-	237,237	226,552
Total Revenue	6,816,494	67,854	21,455	6,905,803	5,593,106
Net Assets Released from Restrictions	253,392	(253,392)	-	-	-
Total Public Support, Revenue, and Gains from Operations	7,882,136	13,652	163,985	8,059,773	6,958,425
Operating Expenses					
Program services:					
Skilled nursing	2,696,746	-	-	2,696,746	2,672,840
Assisted living	332,031	-	-	332,031	340,420
Independent living	1,602,716	-	-	1,602,716	1,575,063
Dietary	1,138,666	-	-	1,138,666	1,068,544
Total Program Services	5,770,159	-	-	5,770,159	5,656,867
Supporting services:					
Management and general	955,994	-	-	955,994	861,332
Fundraising	160,724	-	-	160,724	243,078
Total Supporting Services	1,116,718	-	-	1,116,718	1,104,410
Total Operating Expenses	6,886,877	-	-	6,886,877	6,761,277
Income from Operations	\$ 995,259	\$ 13,652	\$ 163,985	\$ 1,172,896	\$ 197,148

The accompanying notes are an integral part of these statements.

**MONTE VISTA GROVE HOMES & SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)
With Comparative Totals For 2012**

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Nonoperating Gains (Losses)					
Change in value of split-interest agreements	\$ -	\$ 1,683	\$ 3,845	\$ 5,528	\$ 2,855
Change in value of memorial funds	-	-	15,103	15,103	12,634
Gain (loss) on disposal of property and equipment	(4,188)	-	-	(4,188)	34,674
Unrealized gains (losses) on investments	(215,561)	506	(36,153)	(251,208)	386,996
Total Nonoperating Gains (Losses)	<u>(219,749)</u>	<u>2,189</u>	<u>(17,205)</u>	<u>(234,765)</u>	<u>437,159</u>
Change in Net Assets	775,510	15,841	146,780	938,131	634,307
Net Assets, Beginning	<u>14,935,938</u>	<u>256,815</u>	<u>1,638,155</u>	<u>16,830,908</u>	<u>16,196,601</u>
Reclassification of net assets, consistent with donor intent	68,558	-	(68,558)	-	-
Net Assets, Ending	<u>\$15,780,006</u>	<u>\$ 272,656</u>	<u>\$ 1,716,377</u>	<u>\$17,769,039</u>	<u>\$16,830,908</u>

The accompanying notes are an integral part of these statements.

MONTE VISTA GROVE HOMES & SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
 With Comparative Totals For 2012

	Program Services				Supporting Services				Total 2012
	Skilled Nursing	Assisted Living	Independent Living	Dietary	Management and General	Fundraising	Total	Total 2013	
Salaries and employee benefits	\$ 1,518,285	\$ 174,232	\$ 417,859	\$ 664,657	\$ 597,936	\$ 104,276	\$ 702,212	\$ 3,477,245	\$ 3,300,812
Professional fees and purchased services	412,546	15,811	92,236	44,970	161,675	9,600	171,275	736,838	630,057
Food	-	-	-	301,745	-	-	-	301,745	291,824
Housekeeping	141,936	43,942	85,600	6,848	5,136	-	5,136	283,462	254,283
Supplies and equipment rental	172,655	5,943	19,502	45,438	31,836	3,348	35,184	278,722	232,885
Assessment and insurance	104,861	11,602	88,189	10,317	30,419	6,156	36,575	251,544	415,194
Utilities	65,604	25,014	82,185	39,927	13,304	-	13,304	226,034	165,302
Residential financial aid	120,091	-	-	-	-	-	-	120,091	185,553
Provision for uncollectable pledges receivable	-	-	-	-	50,000	-	50,000	50,000	-
Sundry	6,710	831	1,299	8,871	12,025	17,090	29,115	46,826	111,992
Plant operations, repairs and maintenance	989	419	28,277	466	22	15	37	30,188	31,477
Travel and entertainment	10,123	-	-	1,100	10,029	3,414	13,443	24,666	23,895
Telephone	6,585	2,799	5,514	967	3,737	1,383	5,120	20,985	18,108
Printing and postage	186	-	-	2,127	4,146	13,249	17,395	19,708	23,571
Provision for doubtful accounts	18,076	-	-	-	-	-	-	18,076	73,662
Education	520	259	110	20	8,578	199	8,777	9,686	7,589
Advertising	-	-	-	-	-	1,994	1,994	1,994	1,845
Interest	-	-	-	-	1,066	-	1,066	1,066	10,547
Total Expenses Before Depreciation	2,579,167	280,852	820,771	1,127,453	929,909	160,724	1,090,633	5,898,876	5,778,596
Depreciation	117,579	51,179	781,945	11,213	26,085	-	26,085	988,001	982,681
Total Expenses	\$ 2,696,746	\$ 332,031	\$ 1,602,716	\$ 1,138,666	\$ 955,994	\$ 160,724	\$ 1,116,718	\$ 6,886,877	\$ 6,761,277

The accompanying notes are an integral part of these statements.

**MONTE VISTA GROVE HOMES & SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
With Comparative Totals For 2012**

	2013	2012
Cash Flows from Operating Activities		
Cash received from residents for monthly services	\$ 5,448,969	\$ 5,058,739
Cash received from residents for entrance fees	113,690	-
Investment income received	67,854	70,668
Contributions received	1,118,928	1,118,688
Other	179,065	150,945
Cash paid to employees and suppliers	(5,804,212)	(5,646,465)
Interest paid	(1,066)	(10,547)
	1,123,228	742,028
Cash Flows from Investing Activities		
Purchases of property and equipment	(448,684)	(506,627)
Proceeds from sale of property and equipment	-	75,515
Purchases of investments	(7,018,159)	(4,212,610)
Proceeds from sale of investments	6,605,463	4,252,163
Additions to master development plan	(24,900)	-
	(886,280)	(391,559)
Cash Flows from Financing Activities		
Repayment of lease obligation	(7,523)	(6,762)
Net repayment on line of credit	-	(350,000)
	(7,523)	(356,762)
Increase (Decrease) in Cash and Cash Equivalents	229,425	(6,293)
Cash and Cash Equivalents, Beginning of Year	193,961	200,254
Cash and Cash Equivalents, End of Year	\$ 423,386	\$ 193,961

The accompanying notes are an integral part of these statements.

MONTE VISTA GROVE HOMES & SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)
With Comparative Totals For 2012

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ 938,131	\$ 634,307
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in value of split-interest agreements	(5,528)	(2,855)
Change in value of memorial funds	(15,103)	(12,634)
Realized and unrealized (gains)/losses on investments	(874,612)	(536,105)
(Gain) loss on disposal of property and equipment	4,188	(34,674)
Noncash contributions	(19,173)	(262,859)
Provision for doubtful accounts	18,076	73,662
Provision for uncollectable pledges receivable	50,000	-
Depreciation	988,001	982,681
(Increase) decrease in:		
Accounts receivable	(107,572)	(201,993)
Unconditional promises to give	38,344	19,116
Inventories	(12,687)	(7,075)
Prepaid expenses and other assets	(41,506)	(5,507)
Increase (decrease) in:		
Accounts payable and accrued expenses	(3,950)	49,318
Accrued payroll and employee benefits	29,452	8,298
Deferred revenue from entrance fees	111,712	-
Deposits and other liabilities	25,455	38,348
	\$ 1,123,228	\$ 742,028
Net Cash Provided by Operating Activities		

The accompanying notes are an integral part of these statements.

**MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 1 – Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Monte Vista Grove Homes (“MVGH”) is a senior community established in 1924 by the Synod of California. MVGH is a nonprofit California corporation dedicated to providing a retirement community for the benefit of retired Teaching Elders (Ministers), missionaries, Certified Christian Educators, Certified Musician Associates, and Commissioned Ruling Elders of the Presbyterian Church (USA) and their spouses (“qualified applicants”). MVGH has independent living available to qualified applicants. The facility includes approximately 83 individual apartments, a 16-apartment assisted living facility (Residential Care Facility for the Elderly (“RCFE”)) with a lounge and nursing station, and a 40-bed Medicare-certified skilled nursing facility (“SNF”), which provides skilled nursing and convalescent care. Assisted living and skilled nursing are available to MVGH’s residents and the surrounding community at the per diem rate in effect at the time services are rendered; and beginning in 2013, these services are available to qualified applicants under a Continuing Care Retirement Community (“CCRC”) contract.

On January 1, 2013, MVGH received its Provisional Certificate of Authority (“PCOA”) to enter into CCRC contracts in accordance with the provisions of the Health and Safety Code of the State of California. On December 23, 2013, MVGH received an extension on the PCOA effective to July 1, 2014. The certification applies to the assisted living and skilled nursing portions of the campus only. The PCOA allows MVGH to offer CCRC contracts to incoming qualified applicants.

A requirement of this partial licensure was to create a separation between the independent living and the CCRC (RCFE and SNF) portions of the campus. To meet this requirement, MVGH re-organized the independent living as The Grove Campus, LLC (a California LLC) (the “LLC”) on September 4, 2012. The LLC operates the unlicensed senior housing apartments (independent living) only.

Principles of Consolidation

The consolidated financial statements include the accounts of MVGH and its wholly owned subsidiary, The Grove Campus, LLC, hereinafter referred to collectively as the “Organization”. All inter-organization balances and transactions have been eliminated.

Basis of Accounting

The Organization accounts for financial transactions on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The accrual basis of accounting recognizes revenues in the accounting period in which the revenues are earned regardless of when cash is received and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

Basis of Presentation

The Organization’s financial statement presentation follows the recommendations prescribed by U.S. GAAP. In accordance with U.S. GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Comparative Financial Statements

The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Reclassifications

Certain amounts included in the 2012 financial statements and related notes have been reclassified for comparative purposes to conform to the presentation in the 2013 consolidated financial statements.

Cash and Cash Equivalents

The Organization maintains its cash balances in financial institutions. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per financial institution. From time to time, the Organization's cash balances exceed this limit.

For purposes of reporting cash flows, MVGH considers all highly liquid investments that are readily convertible to known amounts of cash to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for doubtful accounts and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give that are due in the next year are recorded as current at their net realizable value; those due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, discounted using low-risk interest rates applicable to the year in which the promise was received. Management wrote off uncollectable promises to give of \$50,000 in 2013. No allowance for doubtful promise to give has been established as of December 31, 2013, as management believes that the remaining promises are fully collectable.

Amounts received or promised that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes.

Inventories

Inventories, consisting primarily of health care supplies, food supplies and ground maintenance supplies, are stated at the lower of cost or market using the first-in, first-out basis of accounting.

MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost or, if donated, at their fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from seven to forty years. The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Costs of additions, renewals, and betterments are capitalized; maintenance and repairs are charged to expense when incurred.

Construction in Progress

Construction in progress consists of costs incurred on construction projects that have not been completed. Depreciation begins when related assets are placed in service.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Contributed securities are initially recorded at their fair value at the date of donation. Investment income (including interest, dividends, and realized gains and losses) is included in total revenue from operations.

Other-Than-Temporary Impairments of Investments

The Organization determines whether a decline in the fair value of investments below the cost basis is other-than-temporary based on objective evidence as well as subjective factors including knowledge of recent events and assumptions regarding future events. If the decline in fair value is judged to be other-than-temporary, the cost basis of the individual security is written down to fair value as a new cost basis and the amount of the write-down is included in operating income.

Deferred Revenue from Entrance Fees and Refundable Entrance Fees

For the right to become a continuing care resident of the extended care facilities at the Organization, residents are required to pay an entrance fee, a portion of which may be refundable based upon the contract terms.

Under the Organization's Amortized Entrance Fee Option contract, the entrance fee is refundable pro-rata if a continuing care resident should leave within five years from admission as follows:

1. During the first one hundred fifty days (60 days after the contract is signed plus a 90-day cancellation period), the entrance fee paid by the resident is refunded in full.
2. If the resident's tenancy is longer than the 90-day cancellation period and up to five years, the Organization retains 1/60th of the entrance fee for each month of residency or portion thereof. However, the minimum entrance fee retained by the Organization for any termination after the 90-day cancellation period shall be 10% of the entrance fee.
3. No refunds after sixty months.

The Organization amortizes entrance fees over the resident's expected life, and a liability is recognized for the expected amount that will be refunded to those residents who will not remain at the facility for the stipulated time.

MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Deferred Revenue from Entrance Fees and Refundable Entrance Fees (continued)

Under the Organization's 90% Repayment Option contract, the entrance fee is refundable as follows:

1. During the first one hundred fifty days (60 days after the contract is signed plus a 90-day cancellation period), the entrance fee paid by the resident is refunded in full.
2. If the resident's tenancy terminates subsequent to the 90-day cancellation period, the resident will receive a reoccupancy benefit equal to 90% of the paid entrance fees once the resident's unit is re-occupied by another resident.

The Organization amortizes 10% of the paid entrance fee over the resident's expected life and a liability is recorded for the remaining 90% of the entrance fee.

Under both contracts, the refund is reduced by any unpaid fees and any costs of refurbishing the unit (as defined in the contracts). Contractually refundable entrance fees, included in deferred revenue from entrance fees in the accompanying statement of financial position, amounted to approximately \$113,000 at December 31, 2013.

Obligations to Provide Future Services and Use of Facilities to Current Residents

If the present value of estimated future cash outflows to provide services to residents exceeds the present value of estimated future cash inflows from residents, a liability is recognized. The Organization's computation has been made which indicated that as of December 31, 2013, the estimated amounts received or to be received from current continuing care residents will exceed the estimated costs of providing future services and use of facilities to those residents. Consequently, no liability is shown on the statements of financial position at either date.

The California Health and Safety Code Section 1790 mandates a statutory reserve and a liquid asset requirement. The mandates were met for the years ending December 31, 2013.

Net Assets

The Organization's net assets comprise the following:

Unrestricted Net Assets - Unrestricted net assets represent the portion of expendable net assets that are neither permanently restricted nor temporarily restricted by donor-imposed restrictions. These net assets are available for support of the ordinary operations and administration of the Organization. At December 31, 2013, the total unrestricted net assets of \$15,780,006 includes an unrestricted Board-designated component of the Quality of Life Endowment Fund totaling \$901,527.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent net assets that result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed restrictions that either expire by the passage of time or can be satisfied by actions of the Organization. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Net Assets (continued)

Permanently Restricted Net Assets - Permanently restricted net assets represent net assets that result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled and removed by actions of the Organization pursuant to those restrictions. These net assets are permanently restricted by donors for investment in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. For the purpose of identifying those resources, the Organization accounts for and records transactions in established fund groups. A description of each fund follows:

Richmond Endowment - Endowment funds subject to restrictions requiring that the principal be invested in perpetuity. Income from the investments can be utilized at the discretion of the Board of Trustees for the skilled nursing facility and the Organization's operating expenses and is recorded as unrestricted revenue.

Quality of Life - Endowment funds subject to restrictions requiring that the principal be invested in perpetuity. Income is to be utilized to provide services in the skilled nursing facility to low income residents and is recorded as temporarily restricted revenue.

Ridings Fund - Endowment funds subject to restrictions requiring that the principal be invested in perpetuity. Income from the investments can be utilized at the discretion of the Board of Trustees for the skilled nursing facility and the Organization's operating expenses and is recorded as unrestricted revenue.

Memorial Funds - Endowment funds subject to restrictions requiring that the principal be invested in perpetuity. Income from the investments can either be utilized at the discretion of the Board of Trustees for the skilled nursing facility and the Organization's operating expenses and is recorded as unrestricted revenue or is to be used in accordance with donor stipulations and is recorded as temporarily restricted revenue.

Public Support

Donations are recorded as made. All donations are considered to be available for unrestricted use unless specifically restricted by the donor.

Program Services Revenue

Revenue is derived from the skilled nursing, assisted living, and independent living programs.

Skilled nursing revenues include private pay and Medicare revenue, which are based on established rates. Medicare provides for payments to the Organization at amounts different from its established rates. Such revenue is reported at the estimated net realizable amounts from patients, Medicare, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with Medicare.

Revenue from assisted living is reported based on established daily rates and revenue from independent living is based on established monthly rates on an accrual basis in the period in which the services are provided.

MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Contributions of Long-lived Assets

Contributions of long-lived assets are recorded as contributions at their fair value at the date of donation. Such contributions of long-lived assets without donor restrictions are recognized as unrestricted revenue. Contributions of cash or other assets restricted to acquisition of long-lived assets are recorded as temporarily restricted contributions. Once the long-lived assets are acquired and if there are no donor restrictions on the long-lived asset's use, the donor restrictions are considered met and the temporarily restricted net assets are released and reclassified to the unrestricted net asset class.

Contributed Services

Donated services are recognized as contributions if the services (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by entities or persons possessing those skills, and would be purchased if not donated. A substantial number of volunteers have donated their time to the Organization's programs and other services; however, these donated services are not reflected in the accompanying consolidated financial statements since they do not meet the specific expertise criteria for recognition as contributed services.

Unrestricted Income from Operations (Performance Indicator)

Unrestricted income from operations reports the results of operations for the Organization. In addition to the income from resident care operations, this amount includes investment income, realized gains and losses on investments, and other items. It excludes unrealized gains and losses on investments.

Income Taxes

MVGH is organized as a nonprofit corporation under the general nonprofit corporation laws of the State of California, and is exempt from federal income taxation under Internal Revenue Code Section 501(c)(3). Nonprofit organizations are not generally liable for taxes on income; therefore, no provision is made for such taxes in the consolidated financial statements.

MVGH considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. MVGH evaluates its uncertain tax positions using the provisions in conformity with U.S. GAAP. These standards require management to perform an evaluation of all tax positions taken, or expected to be taken in the course of preparing MVGH's tax return. Management believes the tax positions taken more likely than not will be sustained under examination by the applicable tax authorities. Examples of tax positions include tax-exempt status of MVGH, and various positions related to the potential sources of unrelated business taxable income. Since tax matters are subject to some degree of uncertainty, there can be no assurance that MVGH's tax return will not be challenged by the taxing authorities, and that MVGH will not be subject to tax, penalties, and interest as a result of such challenge. Generally, MVGH's tax return remains open for three years for federal income tax examination and four years for state income tax examination.

MVGH has applied for tax exempt status for The Grove Campus, LLC and is currently awaiting approval.

Expense Allocation

Expenses are charged to programs and supporting services based on an evaluation of the Organization's activities by management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Accounts Receivable

As of December 31, 2013 and 2012, the Organization's accounts receivable and allowance for doubtful accounts were as follows:

	<u>2013</u>	<u>2012</u>
Accounts receivable	\$ 806,188	\$ 710,692
Less allowance for doubtful accounts	<u>31,000</u>	<u>25,000</u>
	<u>\$ 775,188</u>	<u>\$ 685,692</u>

Note 3 – Unconditional Promises to Give

Unconditional promises to give consist of gifts from residents, payable in future installments. As of December 31, 2013 and 2012, the Organization's unconditional promises to give were as follows:

	<u>2013</u>	<u>2012</u>
Due within one year	\$ 86,514	\$ 101,464
Due in one to four years	19,000	99,200
Discount to present value	<u>(1,612)</u>	<u>(8,418)</u>
	<u>\$ 103,902</u>	<u>\$ 192,246</u>

Unconditional promises to give that are due in more than one year are recorded at the present value of estimated future cash flows using a discount rate of 3%.

**MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 4 – Property and Equipment

As of December 31, 2013 and 2012, property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Land and improvements	\$ 862,962	\$ 856,937
Buildings and improvements	18,847,337	18,515,976
Rental property	359,961	359,961
Furniture and equipment	2,839,377	2,759,457
Construction in progress	61,206	39,102
	<u>22,959,505</u>	<u>22,531,433</u>
Less accumulated depreciation	<u>16,316,198</u>	<u>15,352,456</u>
	<u>\$ 6,654,645</u>	<u>\$ 7,178,977</u>

Note 5 – Investments

As of December 31, 2013 and 2012, investments consist of the following:

<u>2013</u>	<u>Market Value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 441,441	\$ 441,441
Marketable equity securities	5,791,475	5,169,560
Government obligations and agencies	358,116	367,283
Corporate bonds	3,256,953	3,332,805
	<u>\$ 9,847,985</u>	<u>\$ 9,311,089</u>

<u>2012</u>	<u>Market Value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 833,299	\$ 833,299
Marketable equity securities	4,383,049	3,642,527
Government obligations and agencies	548,471	548,904
Corporate bonds	2,795,858	2,747,908
	<u>\$ 8,560,677</u>	<u>\$ 7,772,638</u>

MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 5 – Investments (continued)

Investment returns are summarized as follows:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 297,484	\$ 283,248
Less investment fees	<u>(60,247)</u>	<u>(56,696)</u>
Investment income, net	237,237	226,552
Realized gains on investments	1,125,820	149,109
Unrealized gains (losses) on investments	<u>(251,208)</u>	<u>386,996</u>
	<u>\$ 1,111,849</u>	<u>\$ 762,657</u>

The following table shows the gross unrealized losses and fair value of investments with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31:

	<u>Fair Value Below Cost as of December 31, 2013</u>					
	<u>Less Than</u>		<u>Greater Than</u>		<u>Total</u>	
	<u>12 Months</u>		<u>12 Months</u>			
	<u>Fair</u>	<u>Unrealized</u>	<u>Fair</u>	<u>Unrealized</u>	<u>Fair</u>	<u>Unrealized</u>
	<u>Value</u>	<u>Loss</u>	<u>Value</u>	<u>Loss</u>	<u>Value</u>	<u>Loss</u>
Marketable equity securities	\$ 1,051,578	\$ (75,642)	\$ 84,238	\$ (7,770)	\$ 1,135,816	\$ (83,412)
Government obligations and agencies	70,402	(722)	154,368	(9,500)	224,770	(10,222)
Corporate bonds	<u>2,150,288</u>	<u>(71,465)</u>	<u>508,232</u>	<u>(22,291)</u>	<u>2,658,520</u>	<u>(93,756)</u>
Total Temporarily Impaired Securities	<u>\$ 3,272,268</u>	<u>\$ (147,829)</u>	<u>\$ 746,838</u>	<u>\$ (39,561)</u>	<u>\$ 4,019,106</u>	<u>\$ (187,390)</u>

	<u>Fair Value Below Cost as of December 31, 2012</u>					
	<u>Less Than</u>		<u>Greater Than</u>		<u>Total</u>	
	<u>12 Months</u>		<u>12 Months</u>			
	<u>Fair</u>	<u>Unrealized</u>	<u>Fair</u>	<u>Unrealized</u>	<u>Fair</u>	<u>Unrealized</u>
	<u>Value</u>	<u>Loss</u>	<u>Value</u>	<u>Loss</u>	<u>Value</u>	<u>Loss</u>
Marketable equity securities	\$ 644,716	\$ (35,625)	\$ 11,119	\$ (2,259)	\$ 655,835	\$ (37,884)
Government obligations and agencies	-	-	293,178	(8,212)	293,178	(8,212)
Corporate bonds	<u>107,412</u>	<u>(1,551)</u>	<u>589,670</u>	<u>(20,718)</u>	<u>697,082</u>	<u>(22,269)</u>
Total Temporarily Impaired Securities	<u>\$ 752,128</u>	<u>\$ (37,176)</u>	<u>\$ 893,967</u>	<u>\$ (31,189)</u>	<u>\$ 1,646,095</u>	<u>\$ (68,365)</u>

MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 5 – Investments (continued)

The fair market value of these investments have declined due to volatility in the financial markets, changes in interest rates, changes in economic conditions, and changes in market outlook for various industries, among others. The securities disclosed above have not met the criteria for recognition of other than temporary impairment under management's policy. The Organization follows a policy of evaluating securities for impairment, which considers available evidence in evaluating potential impairment of its investments. This review considers the severity and duration of the decline in market value, the materiality of the losses on an individual security in relation to the entire portfolio, the volatility of the security's market price, third-party analyst reports, credit rating changes, and regulatory or legal action changes, among other factors. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to investment loss and a new cost basis in the investment is established. For the years ended December 31, 2013 and 2012, no securities were determined to be other-than-temporarily impaired.

Note 6 – Fair Value Measurements

U.S. GAAP provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

- Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that management has the ability to access.
- Level 2** Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

There have been no changes in the methodologies used at December 31, 2013 and 2012.

MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 6 – Fair Value Measurements (continued)

Cash and cash equivalents: Cash and cash equivalents include money market funds, valued at fair value by reference to quoted market prices in active markets for identical assets or liabilities (unadjusted) and other relevant generated market transactions that the Organization has the ability to access at the measurement date.

Marketable equity securities: Valued at fair value by reference to quoted market prices in active markets for identical assets or liabilities (unadjusted) and other relevant generated market transactions that the Organization has the ability to access at the measurement date.

Corporate bonds and government obligations and agencies: Valuation based on an independent pricing service and based on recent sales of similar securities and other observable market data.

Split-interest agreements: Split-interest agreements include charitable remainder trusts, charitable gift annuities and pooled income funds. Split-interest agreements are valued at fair value by estimating the present value of expected future cash inflows.

Memorial funds: Memorial funds are invested in mutual funds and cash and cash equivalents (including money market funds). These investments are valued at fair value by reference to quoted market prices in active markets for identical assets or liabilities (unadjusted) and other relevant generated market transactions that the Organization has the ability to access at the measurement date.

Unconditional promises to give: Promises to give are valued at fair value by estimating the present value of expected future cash inflows.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 6 – Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, assets at fair value at December 31, 2013:

	Assets at Fair Value as of December 31, 2013			
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	\$ 441,441	\$ 441,441	\$ -	\$ -
Marketable equity securities	5,791,475	5,791,475	-	-
Government obligations and agencies	358,116	-	358,116	-
Corporate bonds	3,256,953	-	3,256,953	-
Total Investments	9,847,985	6,232,916	3,615,069	-
Split-interest agreements	40,181	-	-	40,181
Memorial funds	259,565	259,565	-	-
Unconditional promises to give	103,902	-	86,514	17,388
	<u>\$ 10,251,633</u>	<u>\$ 6,492,481</u>	<u>\$ 3,701,583</u>	<u>\$ 57,569</u>

The following table sets forth by level, within the fair value hierarchy, assets at fair value at December 31, 2012:

	Assets at Fair Value as of December 31, 2012			
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	\$ 833,299	\$ 833,299	\$ -	\$ -
Marketable equity securities	4,383,049	4,383,049	-	-
Government obligations and agencies	548,471	-	548,471	-
Corporate bonds	2,795,858	-	2,795,858	-
Total Investments	8,560,677	5,216,348	3,344,329	-
Split-interest agreements	34,653	-	-	34,653
Memorial funds	244,462	244,462	-	-
Unconditional promises to give	192,246	-	101,464	90,782
	<u>\$ 9,032,038</u>	<u>\$ 5,460,810</u>	<u>\$ 3,445,793</u>	<u>\$ 125,435</u>

MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 6 – Fair Value Measurements (continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Split- interest Agreements	Unconditional Promises to Give	Total
January 1, 2012	\$ 31,798	\$ 111,079	\$ 142,877
Long-term unconditional promises to give received	-	25,000	25,000
Transfers to Level 2, net of prior discounts	-	(36,879)	(36,879)
Discount of unconditional promises to give at present value	-	(8,418)	(8,418)
Change in value	2,855	-	2,855
Balance December 31, 2012	34,653	90,782	125,435
Long-term unconditional promises to give received	-	20,000	20,000
Transfers to Level 2, net of prior discounts	-	(91,782)	(97,782)
Discount of unconditional promises to give at present value	-	(1,612)	(1,612)
Change in value	5,528	-	5,528
Balance December 31, 2013	\$ 40,181	\$ 17,388	\$ 57,569

Note 7 – Split-interest Agreements

The Organization is a beneficiary of several charitable lifetime income gifts. The charitable lifetime income gifts provide one or more individuals income for his or her lifetime or a period of years, after which the remaining funds will either be distributed to the Organization or used to establish a permanent fund at the Presbyterian Church (USA) Foundation, from which income will be distributed to the Organization. These amounts are recorded at present value, which represents the current fair market value of the account, reduced by the estimated actuarial liability necessary to meet the future payments to the life income beneficiaries. The portion of the gift attributable to the present value of the future benefits to be received by the Organization is recorded in the statement of activities as temporarily or permanently restricted contributions in the period the gift is established.

Note 8 – Master Development Plan

In order to meet the growing demand for senior housing, the Organization completed a 15-year Master Development Plan (“Master Plan”) that would accommodate up to 52 new independent living units as well as refurbishment of dining facilities and resident social space. New building structures would be one and two story buildings in keeping with the current scale of the campus. The Master Plan was proposed as a multi-phased project over a 15-year period and was approved by the City of Pasadena in January 2007. The start date of the construction will be determined based on finance capabilities over the 15-year period.

MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 8 – Master Development Plan (continued)

The costs incurred in the Master Plan relate to the Organization’s plan for future development of the campus. These costs include fees for plan development, tree inventory survey/map work, architectural services, legal services, and consultation. As of December 31, 2013 and 2012, the capitalized costs were \$213,097 and \$188,197, respectively.

Note 9 – Line of Credit

The Organization has a \$500,000 revolving line of credit with Citizen Business Bank, which is secured by certain investment assets owned by the Organization. The line bears interest based upon the Citizen Business Bank prime rate plus 1% per annum with an interest rate floor of no less than 4%. The Organization is required to make monthly interest payments. At December 31, 2013 and 2012, there were no outstanding borrowings on the line of credit.

Note 10 – Capital Leases

During 2009, the Organization acquired equipment under the provisions of a long-term lease with a cost of \$32,417. For financial reporting purposes, minimum lease payments relating to the equipment have been capitalized and included in property and equipment on the statement of financial position.

The capital lease obligation consisted of the following at December 31, 2013:

Lease obligation, 10.72% per annum, implicit rate of interest at time of signing, payable in 60 payments of \$700, due June 2014	\$ 4,073
Less current maturities	<u>4,073</u>
	<u>\$ -</u>

The following is a schedule of future minimum lease payments under the capital lease:

<u>Years Ending December 31,</u>	
2014	<u>\$ 4,202</u>
Total future minimum lease payments	4,202
Less amount attributable to interest	<u>(129)</u>
Total	<u>\$ 4,073</u>

MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 11 – Net Assets

Temporarily restricted net assets are available subject to the following restrictions at December 31, 2013, and 2012:

	<u>2013</u>	<u>2012</u>
Purpose	\$ 178,786	\$ 157,212
Capital improvements	<u>93,870</u>	<u>99,603</u>
	<u>\$ 272,656</u>	<u>\$ 256,815</u>

Permanently restricted net assets consist of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Richmond Endowment	\$ 531,802	\$ 539,016
Quality of Life	870,629	803,807
Ridings Fund	24,640	24,974
Memorial funds	259,565	244,462
Split-interest agreements	<u>29,741</u>	<u>25,896</u>
	<u>\$ 1,716,377</u>	<u>\$ 1,638,155</u>

Note 12 – Endowment Funds

The Organization's endowment consists of four individual funds established for a variety of purposes (see Note 1) and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including a fund designated by the Board of Trustees to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization has interpreted relevant state law as requiring preservation of the fair value of the original gift as of the date gifted, for the donor restricted endowment funds explicit donor stipulations to the contrary.

According to the Organization's investment guidelines, the permanently restricted assets are currently invested in an investment portfolio managed by professional money managers. The primary long-term investment objective is to preserve and enhance the real (inflation adjusted) purchasing power of the portfolio. This objective should be achieved based on an investment horizon of three to five years. The Organization's policy is to have the portfolio earn an average return in excess of inflation over time.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized). Because of the short-term volatility in rates of return for those investments, the total return could be negative at times. At times, especially for new funds, the balance of a fund could drop below the historic gift value. Historic gift value is defined as the total dollars of the original gift at the date the gift is contributed for endowment. Over the long-term, investment return will recover short-term losses.

**MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 12 – Endowment Funds (continued)

The goals of the funds are as follows: (a) maximize monthly income within reasonable and prudent levels of risk; and (b) subsidize skilled nursing costs for qualified Organization residents.

The Organization employs a high income investment policy with the objective of producing high current income with a secondary objective of preserving the endowment’s capital.

With these objectives in mind, the portfolio is invested subject to the following guidelines:

1. Bonds and debentures represent at least 70% of total investments. No less than 30% of bonds and debentures have maturity dates of ten years or less. Staggered maturity dates are desirable.
2. Securities other than bonds and debentures do not exceed 30% of total investments. No more than 15% at market value of the investment portfolio may be invested in any one company with no more than 40% being invested in one economic sector. It is preferred that no holding of any one stock may exceed 5% of the total investments.
3. All purchases are made with available cash. There are no margin transactions, short selling (except through an exchange traded fund), or commodity transactions.

Endowment net asset composition by type of fund as of December 31, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 60,491	\$ 1,716,377	\$ 1,776,868
Board-designated endowment funds	901,527	-	-	901,527
Endowment net assets, end of year	<u>\$ 901,527</u>	<u>\$ 60,491</u>	<u>\$ 1,716,377</u>	<u>\$ 2,678,935</u>

MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 12 – Endowment Funds (continued)

Changes in endowment net assets for the fiscal year ended December 31, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 720,857	\$ 46,713	\$ 1,638,155	\$ 2,405,725
Investment return:				
Investment income	39,606	67,854	-	107,460
Realized gains on investments	12,771	-	21,455	34,226
Unrealized losses on investments	(21,912)	-	(36,153)	(58,065)
Investment management fees	(16,353)	-	-	(16,353)
Total investment return	<u>14,112</u>	<u>67,854</u>	<u>(14,698)</u>	<u>67,268</u>
Contributions	98,000	-	142,530	240,530
Reclassification of net assets, consistent with donor intent	68,558	-	(68,558)	-
Change in value of split-interest agreements	-	-	3,845	3,845
Change in value of memorial funds	-	-	15,103	15,103
Amounts appropriated for expenditure	-	(54,076)	-	(54,076)
Endowment net assets, end of year	<u>\$ 901,527</u>	<u>\$ 60,491</u>	<u>\$ 1,716,377</u>	<u>\$ 2,678,395</u>

Endowment net asset composition by type of fund as of December 31, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 46,713	\$ 1,638,155	\$ 1,684,868
Board-designated endowment funds	<u>720,587</u>	<u>-</u>	<u>-</u>	<u>720,587</u>
Endowment net assets, end of year	<u>\$ 720,587</u>	<u>\$ 46,713</u>	<u>\$ 1,638,155</u>	<u>\$ 2,405,725</u>

MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 12 – Endowment Funds (continued)

Changes in endowment net assets for the fiscal year ended December 31, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 722,406	\$ 46,713	\$ 1,470,012	\$ 2,239,131
Investment return:				
Investment income	41,259	70,668	-	111,927
Realized losses on investments	(1,738)	-	(2,699)	(4,437)
Unrealized gains on investments	15,568	-	25,790	41,358
Investment management fees	(15,379)	-	-	(15,379)
Total investment return	<u>39,710</u>	<u>70,668</u>	<u>23,091</u>	<u>133,469</u>
Contributions	-	-	130,309	130,309
Change in value of split-interest agreements	-	-	2,109	2,109
Change in value of memorial funds	-	-	12,634	12,634
Amounts appropriated for expenditure	<u>(41,259)</u>	<u>(70,668)</u>	<u>-</u>	<u>(111,927)</u>
Endowment net assets, end of year	<u>\$ 720,857</u>	<u>\$ 46,713</u>	<u>\$ 1,638,155</u>	<u>\$ 2,405,725</u>

Note 13 – Retirement Benefits

The Monte Vista Grove 401(k) Plan (the “Plan”) covers substantially all employees of the Organization who have completed one year of service and attained the age of 21. Participants vest at varying percentages over five years. The Organization makes an employer-matching contribution on the first 3.5% of each participant’s salary deferred through employee contributions to the Plan. The Organization’s employer-matching contributions to the Plan totaled \$71,127 and \$70,715 for 2013 and 2012, respectively.

In addition, each year, the Organization determines a discretionary contribution, if any, to be contributed to the Plan. The discretionary contribution is equal to a percentage of all eligible participants’ compensation, the exact percentage to be approved each year by the Board of Trustees. There were no discretionary contributions to the Plan for the years ended 2013 and 2012.

MONTE VISTA GROVE HOMES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 14 – Commitments and Contingencies

Operating Leases

The Organization has certain office equipment and other services under non-cancelable operating leases expiring at various dates through 2018. The lease expense totaled approximately \$42,000 and \$23,000 for 2013 and 2012, respectively.

As of December 31, 2013, the Organization is committed under long-term leases as follows:

<u>Years Ending December 31,</u>	
2014	\$ 56,543
2015	48,509
2016	43,415
2017	26,496
2018	<u>12,413</u>
Total	\$ <u>187,376</u>

Gain Contingency

In 1989, the Organization received a gift of an \$800,000 (99% limited partnership interest in the Faulding Hotel, Inc.), an affiliate of the Santa Barbara Community Housing Corporation (“SBCHC”). The partnership was formed to own and operate the Faulding Hotel for low income seniors and others eligible for assistance under either State or Federal programs. In 1990, to enable SBCHC to issue bond financing for improvements to the Faulding Hotel, MVGH exchanged its limited partnership interest for an \$800,000 Shared Appreciation Promissory Note (“Note”) with 6% interest per annum, payable annually. The Note is subordinate to debt owed to several entities of the City of Santa Barbara and the County of Santa Barbara. The Organization has not recorded this asset in the accompanying statement of financial position due to the uncertainty of the asset’s recoverability.

Other

The Organization is subject to many complex federal, state and local laws and regulations. Compliance with these laws and regulations is subject to government review and interpretation. Government activity, with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity, coding and billing for services, has increased significantly. Violations of these laws can result in large fines and penalties, sanctions on providing future services, and repayment of past patient revenues. Management believes any actions that may result from investigations of noncompliance with laws and regulations will not have a material effect on the Organization's future financial position or results of operations.

Note 15 – Subsequent Events

The Organization has considered subsequent events through June 11, 2014, the date of issuance, in preparing the consolidated financial statements and notes thereto. No subsequent events requiring disclosure were noted.

RECEIVED
JUN 24 2014
CONTINUING CARE
CONTRACTS BRANCH

Continuing Care Reserve Report Schedules

MONTE VISTA GROVE HOMES AND SUBSIDIARY

For the Year Ended December 31, 2013

MARTIN WERBELOW LLP
CERTIFIED PUBLIC ACCOUNTANTS
300 NO. LAKE AVE., STE. 930, PASADENA, CA 91101
TEL: (626) 577-1440 FAX: (626) 577-1082

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CONTRACTS BRANCH

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Monte Vista Grove Homes and Subsidiary

We have audited the accompanying continuing care reserve report schedules of Monte Vista Grove Homes and Subsidiary (the "Organization") which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5 ("Schedules") as of and for the year ended December 31, 2013,

Management's Responsibility for the Reports

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

Auditor's Responsibility

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

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

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 Schedules present fairly, in all material respects, the continuing care reserve requirements of the Organization as of December 31, 2013, in accordance with the provisions of the California Health and Safety Code Section 1792.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the Schedules. The Schedules were prepared by the Organization on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the provisions of the California Health and Safety Code Section 1792. Our opinion is not modified with respect to that matter.

Restriction on Use

This report is intended solely for the information of the Board of Trustees and management of the Organization and the California Department of Social Services and is not intended to be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Martin Werbelow CPA". The signature is written in a cursive style with a large initial "M".

June 11, 2014

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	22
[2]	Number at end of fiscal year	25
[3]	Total Lines 1 and 2	47
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	23.5
All Residents		
[6]	Number at beginning of fiscal year	50
[7]	Number at end of fiscal year	50
[8]	Total Lines 6 and 7	100
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	50
[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).	0.47

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including debt service)	\$6,066,106
[a]	Depreciation	\$988,001
[b]	Debt Service (Interest Only)	\$880
[2]	Subtotal (add Line 1a and 1b)	\$988,881
[3]	Subtract Line 2 from Line 1 and enter result.	\$5,077,225
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	47%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$2,386,296
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$2,386

PROVIDER: Monte Vista Grove Homes
COMMUNITY: Monte Vista Grove Homes

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	06/08/09	\$7,523	\$880		\$8,403
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:			\$880	\$0	\$8,403

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

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

PROVIDER: Monte Vista Grove Homes

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

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

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

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

PROVIDER: Monte Vista Grove Homes

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

Line	TOTAL
1 Total from Form 5-1 bottom of Column (e)	\$8,403
2 Total from Form 5-2 bottom of Column (e)	\$0
3 Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$0
4 TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$8,403

PROVIDER: Monte Vista Grove Homes

FORM 5-4

CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$6,066,106
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$880
	b. Credit enhancement premiums paid for long-term debt (see instructions)	
	c. Depreciation	\$988,001
	d. Amortization	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$2,605,746
	f. Extraordinary expenses approved by the Department	\$160,724
3	Total Deductions	\$3,755,351
4	Net Operating Expenses	\$2,310,755
5	Divide Line 4 by 365 and enter the result.	\$6,331
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$474,813

PROVIDER: Monte Vista Grove Homes

COMMUNITY: Monte Vista Grove Homes

MONTE VISTA GROVE HOMES
Two-Way Reconciliation - Form 5-4
Calculation of Operating Expenses

Total Operating Expenses per Audited Financial Statements	\$ 6,886,877
--Less Independent Living Expenses Before Depreciation not allocable to CCRC residents per audited financial statements	<u>(820,771)</u>
Total Operating Expenses allocable to CCRC Residents Form 5-4, Line 1	<u><u>\$ 6,066,106</u></u>
Further Deduction from Operating Expenses for Form 5-4	
--Less % Allocable to Non-CCRC residents	
Total Operating Expenses allocable to CCRC Residents	\$ 6,066,106
--Less Form 5-4, Line 2 a. - Interest paid on long-term debt	(880)
--Less Form 5-4, Line 2 c. - Depreciation	(988,001)
--Less Form 5-4, Line 2 f. - Extraordinary expenses approved by the Department (Total Fundraising Expenses per Audited Financial Statements)	<u>(160,724)</u>
Sub-Total of Operating Expenses to be Allocated to Non-CCRC residents	4,916,501
Non-CCRC average population for 2013	<u>53%</u>
Form 5-4, Line 2 e.	<u><u>\$ 2,605,746</u></u>

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: Monte Vista Grove Homes
 Fiscal Year Ended: December 31, 2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2013 and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$8,403</u>
[2] Operating Expense Reserve Amount	<u>\$474,813</u>
[3] Total Liquid Reserve Amount:	<u>\$483,216</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>\$8,403</u>	<u>\$436,906</u>
[5] Investment Securities		<u>\$1,164,533</u>
[6] Equity Securities		<u>\$2,598,451</u>
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other:		
<u>(describe qualifying asset)</u>		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	<u>\$8,403 [12]</u>	<u>\$4,199,890</u>
Reserve Obligation Amount: [13]	<u>\$8,403 [14]</u>	<u>\$474,813</u>
Surplus/(Deficiency): [15]	<u>\$0 [16]</u>	<u>\$3,725,077</u>

Signature:



(Authorized Representative)

Date: 6/11/2014

Executive Director

(Title)

MONTE VISTA GROVE HOMES

Two-Way Reconciliation - Form 5-5

Qualifying Assets

		<u>Allocable to CCRC</u>		
			<u>%</u>	<u>Qualifying Assets</u>
<u>Form 5-5, Line [4] Cash and Cash Equivalents</u>				
Total Cash & Cash Equivalents per Audited Financial Statements (Current Assets)	\$ 423,386			
--Less The Grove Campus LLC Cash not allocable to CCRC residents				
General Ledger Accounts 50-00-00-1010 and 50-00-00-1011	<u>(90,697)</u>	\$ 332,689	100%	\$ 332,689
Total Investment Cash & Cash Equivalents per Audited Financial Statements - Note 5	441,441			
--Less Permanently & Temporarily Restricted Cash & Cash Equivalents				
General Ledger Accounts 80-00-00-1009, 81-00-00-1009, 64-00-00-1009, 82-00-00-1009	<u>(201,825)</u>	239,616	47% *	<u>112,620</u>
To Line [4] Qualifying Asset - Cash and Cash Equivalents				<u>\$ 445,309</u>
<u>Form 5-5, Line [5] Investment Securities</u>				
Total Investment Securities per Audited Financial Statements - Note 5	3,615,069			
--Less Temporarily & Permanently Restricted Investment Securities				
General Ledger Accounts 80-00-00-1014, 81-00-00-1014, 82-00-00-1014	<u>(1,137,340)</u>	2,477,729	47% *	<u>1,164,533</u>
To Line [5] Qualifying Asset - Investment Securities				<u>\$ 1,164,533</u>
<u>Form 5-5, Line [6] Equity Securities</u>				
Total Equity Securities per Audited Financial Statements - Note 5	5,791,475			
--Less Temporarily & Permanently Restricted Equity Securities				
General Ledger Accounts 11-00-00-1015, 65-05-00-1008, 80-00-00-1015, 80-00-00-1017, 81-00-00-1015, 82-00-00-1015	<u>(262,856)</u>	5,528,619	47% *	<u>2,598,451</u>
To Line [6] Qualifying Asset - Equity Securities				<u>\$ 2,598,451</u>

* Average Resident Population - Continuing Care Residents

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

Date Prepared: 06/11/14

FACILITY NAME: Monte Vista Grove Homes
 ADDRESS: 2839 San Pasqual Street, Pasadena, CA ZIP CODE: 91107 PHONE: 626-796-9753
 PROVIDER NAME: Monte Vista Grove Homes FACILITY OPERATOR: Monte Vista Grove Homes
 RELATED FACILITIES: The Grove Campus, LLC RELIGIOUS AFFILIATION: Presbyterian
 YEAR OPENED: 1924 # OF ACRES: 1.3 SINGLE STORY MULTI-STORY OTHER: _____
 MILES TO SHOPPING CTR: 2
 MILES TO HOSPITAL: 4

NUMBER OF UNITS:	RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO:	_____	ASSISTED LIVING: <u>16</u>
APARTMENTS — 1 BDRM:	_____	SKILLED NURSING: <u>40</u>
APARTMENTS — 2 BDRM:	_____	SPECIAL CARE: _____
COTTAGES/HOUSES:	_____	DESCRIBE SPECIAL CARE: _____
RLU OCCUPANCY (%) AT YEAR END:	_____	

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

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

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

RANGE OF ENTRANCE FEES: \$ 68,000 TO \$ 247,520 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 10 free days per year with lifetime maximum of 30 (specifics attached)

ENTRY REQUIREMENTS: MIN. AGE: 65 PRIOR PROFESSION: _____ OTHER: _____

RESIDENT REPRESENTATIVE • THE BOARD (briefly describe their involvement): At least 2, no more than 5 residents of Monte Vista Grove Homes can be elected to the Board with voting rights. The Board provides direction for the business and affairs of Monte Vista Grove Homes.

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (<u>30</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (<u>3</u> /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input 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 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 checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" 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 checked="" type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER _____	<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.

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	\$4,852,674	\$5,231,612	\$5,593,106	\$6,903,825
LESS OPERATING EXPENSES (excluding depreciation, amortization, and interest)	\$5,235,652	\$5,450,688	\$5,768,049	\$5,897,810
NET INCOME FROM OPERATIONS	-\$382,978	-\$219,076	-\$174,943	\$1,006,015
LESS INTEREST EXPENSE	-\$9,030	-\$8,762	-\$10,547	-\$1,066
PLUS CONTRIBUTIONS	\$884,387	\$1,704,595	\$1,365,319	\$1,153,970
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	\$436,000	-\$417,388	\$437,159	-\$234,765
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	\$928,379	\$1,059,369	\$1,616,988	\$1,924,154
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)				\$111,712

DESCRIPTION OF SECURED DEBT (AS OF MOST RECENT FISCAL YEAR END)

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
not applicable					

FINANCIAL RATIOS

(see next page for ratio formulas)

2012 CCAC Medians
50th Percentile
(optional)

	2012 CCAC Medians 50 th Percentile <i>(optional)</i>	2011	2012	2013
DEBT TO ASSET RATIO	41.16%	0.07%	0.02%	0.70%
OPERATING RATIO	98.83%	78.71%	83.04%	73.21%
DEBT SERVICE COVERAGE RATIO	2.19	4.15	157.05	35.63
DAYS CASH-ON-HAND RATIO	306	462	462	536

HISTORICAL MONTHLY SERVICE FEES

(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO							
ONE BEDROOM							
TWO BEDROOM							
COTTAGE/HOUSE	\$1,017	14.4	\$1,163	2.1	\$1,187	2.7	\$1,219
ASSISTED LIVING	\$3,650	4.2	\$3,802	2.4	\$3,893	-10.4	\$3,498
SKILLED NURSING	\$6,327	7.2	\$6,783	2.7	\$6,965	-10.4	\$6,266
SPECIAL CARE							

COMMENTS FROM PROVIDER:

2013 was the first year that Monte Vista Grove Homes operated its Assisted Living and Skilled Nursing as a Continuing Care Retirement Community. 10% decrease from 2012 to 2013 in Assisted Living and Skilled Nursing monthly service fees are the result of providing a 10% discount to CCRC.

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

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

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

