

FISCAL YEAR ENDED:  
12 / 31 / 13

ANNUAL REPORT CHECKLIST

PROVIDER(S): Northern California Presbyterian Homes & Services, Inc.

DECEIVE  
MAY 02 2014

CCRC(S): Sequoias - San Francisco, Sequoias - Portola Valley, and Tamalpais

CONTINUING CARE  
CONTRACTS BRANCH

CONTACT PERSON: Eric Larra, Controller

TELEPHONE NO.: ( 415 ) 202-7810

EMAIL: elarra@ncphs.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: \$ 59,878
  - 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](http://www.cdss.ca.gov)



EDMUND G. BROWN JR.  
GOVERNOR

April 29, 2014

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Mr. Eric Larra, Controller  
Northern California Presbyterian Homes and Services  
1525 Post Street  
San Francisco, CA 94109-6567

Dear Mr. Larra:

This is in response to your April 29, 2014, request for an extension for filing Northern California Presbyterian Homes and Services' (NCPHS) 2013 annual report. The Department will allow an additional 30 days for filing the report. The new due date is now April 30, 2014. The Key Indicator Report (KIR) is now due May 31, 2014. If either is not received by the new due date, a \$1,000 late fee will be imposed for the first 30 days as of the original due date and \$33 per day for each additional day thereafter until the report and/or KIR are received.

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

Sincerely,

  
Allison Nakatomi, Manager  
Continuing Care Contracts Branch



**Northern California Presbyterian  
Homes & Services, Inc.**

**Continuing Care Contract Annual Report  
For the Year Ended December 31, 2013**

## Part 1

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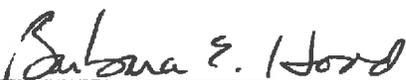
CONTINUING CARE  
CONTRACTS BRANCH

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

**December 31, 2013**

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

1. The information included within this annual report is correct.
2. Each continuing care contract form now in use for new residents has been approved by the Department.
3. As of the date of this certification NCPHS is maintaining the required liquid reserve and refund reserve.

  
\_\_\_\_\_  
Barbara E. Hood

President & CEO  
Title

4-29-2014  
Date

### **Part 3**

**R E C E I V E D**  
**MAY 0 2 2014**  
CONTINUING CARE  
CONTRACTS BRANCH

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

**December 31, 2013**

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

## **Part 4**

**R E C E I V E D**  
**MAY 02 2014**

CONTINUING CARE  
CONTRACTS BRANCH

**Northern California Presbyterian  
Homes and Services, Inc.**

**Consolidated Financial Statements**

**Years Ended December 31, 2013 and 2012**

**Northern California Presbyterian Homes and Services, Inc.**

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**December 31, 2013 and 2012**

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**Independent Auditor's Report**

CONTINUING CARE  
CONTRACTS BRANCH

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

We have audited the accompanying consolidated financial statements of Northern California Presbyterian Homes and Services, Inc. ("NCPHS") and related entities, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of revenues, expenses and other changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended.

***Management's Responsibility for the Consolidated Financial Statements***

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

***Auditor's Responsibility***

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NCPHS and related entities at December 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

April 30, 2014

**Northern California Presbyterian Homes and Services, Inc.**  
**Consolidated Balance Sheets**  
**Years Ended December 31, 2013 and 2012**  
*(dollars in thousands)*

	2013		2012	
	NCPHS	SSNC	Consolidated	Consolidated
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 3,111	\$ 334	\$ 3,445	\$ 2,857
Marketable securities	55,777	19,787	75,564	69,699
Accounts, notes and interest receivable	3,367	265	3,632	3,251
Pledges receivable, net of allowance	-	86	86	25
Limited use assets	1,664	-	1,664	1,659
Prepaid expenses and other assets	1,183	-	1,183	1,144
<b>Total current assets</b>	<b>65,102</b>	<b>20,472</b>	<b>85,574</b>	<b>78,635</b>
Investments contractually limited for replacement reserves on properties financed by the U.S. Department of Housing and Urban Development				
Investments held in trust	4,292	-	4,292	1,999
Trust contributions receivable	-	12,940	12,940	11,363
Pledges receivable, net of allowance, less current portion	-	539	539	529
Deferred charges and other assets	-	-	-	-
Facilities, net of accumulated depreciation	830	-	830	876
	135,275	-	135,275	125,416
<b>Total assets</b>	<b>\$ 205,499</b>	<b>\$ 34,500</b>	<b>\$ 239,999</b>	<b>\$ 219,368</b>
<b>Liabilities and Net Assets</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 7,655	\$ 99	\$ 7,754	\$ 5,521
Payroll and related taxes payable	5,587	-	5,587	5,024
Line of credit - unsecured	1,000	-	1,000	2,000
Current portion of long term debt	3,449	-	3,449	3,581
Accrued interest payable	467	-	467	536
Refundable deposits	826	-	826	811
Entrance fees paid in advance	1,660	-	1,660	1,961
Other current liabilities	42	-	42	-
<b>Total current liabilities</b>	<b>20,686</b>	<b>99</b>	<b>20,785</b>	<b>19,434</b>
Long term debt, less current portion	62,378	-	62,378	55,286
Liability on refundable contracts	10,974	-	10,974	10,845
Liability for payments to trust beneficiaries	-	6,083	6,083	5,349
Pension liability	5,222	-	5,222	18,734
Unamortized entrance fees	104,700	-	104,700	101,723
Other long-term liabilities	8,625	822	9,447	9,800
	191,899	6,905	198,804	201,737
<b>Total liabilities</b>	<b>212,585</b>	<b>7,004</b>	<b>219,589</b>	<b>221,171</b>
<b>Net assets</b>				
<b>Unrestricted Net Assets</b>				
Controlling Interest	(7,201)	5,793	(1,408)	(21,296)
Non-controlling interest	43	-	43	-
<b>Total Unrestricted Net Assets</b>	<b>(7,158)</b>	<b>5,793</b>	<b>(1,365)</b>	<b>(21,296)</b>
Temporarily restricted Net Assets	72	14,518	14,590	12,574
Permanently restricted net assets	-	7,185	7,185	6,919
<b>Total net assets</b>	<b>(7,086)</b>	<b>27,496</b>	<b>20,410</b>	<b>(1,803)</b>
<b>Total liabilities and net assets</b>	<b>\$ 205,499</b>	<b>\$ 34,500</b>	<b>\$ 239,999</b>	<b>\$ 219,368</b>

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

**Northern California Presbyterian Homes and Services, Inc.**  
**Consolidated Statements of Revenues, Expenses and Other Changes in**  
**Unrestricted Net Assets**  
**Years Ended December 31, 2013 and 2012**  
*(dollars in thousands)*

	2013			2012
	NCPHS	SSNC	Consolidated	Consolidated
<b>Operating revenues and support</b>				
<b>Revenues</b>				
Resident fees	\$ 53,055	\$ -	\$ 53,055	\$ 50,868
Amortization of entrance fees	13,870	-	13,870	14,437
Fees for services and other income	12,617	-	12,617	12,009
Investment income including realized gains and losses on investments	5,041	323	5,364	2,729
Gain (loss) on interest rate swap	625	-	625	155
	<u>85,208</u>	<u>323</u>	<u>85,531</u>	<u>80,198</u>
<b>Support</b>				
Contributions	200	179	379	183
Net assets released from restrictions	91	3,043	3,134	2,290
Total operating revenues and support	<u>85,499</u>	<u>3,545</u>	<u>89,044</u>	<u>82,671</u>
<b>Expenses</b>				
<b>Program expenses</b>				
Housing				
Program	18,263	-	18,263	18,028
Interest expense	2,296	-	2,296	2,293
Depreciation	8,660	-	8,660	8,202
Food service	12,926	-	12,926	12,619
Health care	19,088	-	19,088	18,345
Other program services	16,787	-	16,787	15,074
	<u>78,020</u>	<u>-</u>	<u>78,020</u>	<u>74,561</u>
<b>Program support expense</b>				
Administration	8,189	-	8,189	7,342
Depreciation	315	-	315	344
	<u>8,504</u>	<u>-</u>	<u>8,504</u>	<u>7,686</u>
Total expenses	<u>86,524</u>	<u>-</u>	<u>86,524</u>	<u>82,247</u>
Change in unrestricted net assets from operations	(1,025)	3,545	2,520	424
<b>Other changes</b>				
Unrealized gains (losses) on investments	3,766	472	4,238	3,504
Grants transferred for programs and facilities	3,772	(3,772)	-	-
Change in additional minimum pension liability	13,084	-	13,084	304
Change in non-controlling interest	43	-	43	-
Other	46	-	46	22
Increase in unrestricted net assets	<u>19,686</u>	<u>245</u>	<u>19,931</u>	<u>4,254</u>
Unrestricted net assets (deficit) at beginning of year	<u>(26,844)</u>	<u>5,548</u>	<u>(21,296)</u>	<u>(25,550)</u>
Unrestricted net assets (deficit) at end of year	<u>\$ (7,158)</u>	<u>\$ 5,793</u>	<u>\$ (1,365)</u>	<u>\$ (21,296)</u>

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

**Northern California Presbyterian Homes and Services, Inc.**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended December 31, 2013 and 2012**  
*(dollars in thousands)*

	2013			2012
	NCPHS	SSNC	Consolidated	Consolidated
<b>Unrestricted net assets</b>				
Change in unrestricted net assets from operations	\$ (1,025)	\$ 3,545	\$ 2,520	\$ 424
Unrealized gains on investments	3,766	472	4,238	3,504
Grants transferred for programs and facilities	3,772	(3,772)	-	0
Change in minimum pension liability	13,084	-	13,084	304
Change in non-controlling interest	43	-	43	-
Other	46	-	46	22
Increase in unrestricted net assets	19,686	245	19,931	4,254
<b>Temporarily restricted net assets</b>				
Contributions	163	3,020	3,183	1,293
Investment income	-	514	514	746
Change in value of split-interest agreements	-	713	713	944
Unrealized gains from investments	-	740	740	365
Net assets released from restrictions	(91)	(3,043)	(3,134)	(2,290)
Increase in temporarily restricted net assets	72	1,944	2,016	1,058
<b>Permanently restricted assets</b>				
Contributions	-	85	85	126
Change in value of split-interest agreements	-	181	181	63
Increase in permanently restricted net assets	-	266	266	189
Increase in net assets	19,758	2,455	22,213	5,501
Net assets (deficit) at beginning of year	(26,844)	25,041	(1,803)	(7,304)
Net assets (deficit) at end of year	\$ (7,086)	\$ 27,496	\$ 20,410	\$ (1,803)

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

**Northern California Presbyterian Homes and Services, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2013 and 2012**  
*(dollars in thousands)*

	2013		2012	
	NCPHS	SSNC	Consolidated	Consolidated
<b>Cash flows from operating activities</b>				
Cash received from entrance fees	\$ 18,256	\$ -	\$ 18,256	\$ 19,576
Cash received from resident fees	53,061	-	53,061	51,312
Cash received from services and other income	12,443	-	12,443	11,838
Cash received from contributions	251	3,644	3,895	1,958
Cash transferred for grants and support	3,884	(3,884)	-	-
Investment income	1,174	798	1,972	1,515
Interest paid	(2,321)	-	(2,321)	(2,291)
Cash paid to employees and suppliers	(73,168)	-	(73,168)	(73,092)
<b>Cash provided by operating activities</b>	<b>13,580</b>	<b>558</b>	<b>14,138</b>	<b>10,816</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale and maturities of investments	18,556	4,843	23,399	18,292
Purchase of investments	(17,669)	(5,412)	(23,081)	(20,300)
Purchase of property and equipment	(18,320)	-	(18,320)	(11,051)
<b>Cash used in investing activities</b>	<b>(17,433)</b>	<b>(569)</b>	<b>(18,002)</b>	<b>(13,059)</b>
<b>Cash flows from financing activities</b>				
Payment of long term debt	(2,433)	-	(2,433)	(2,346)
Payment of line of credit	(2,400)	-	(2,400)	(2,000)
Proceeds from line of credit	1,400	-	1,400	2,000
Issuance of debt	9,394	-	-	-
Proceeds from endowment contributions	-	112	112	126
Proceeds from contributions held in trust	-	256	256	1,480
Payments to trust beneficiaries	-	(706)	(706)	(678)
Proceeds from refundable deposits	15	-	15	30
Proceeds from refundable entrance fees	1,031	-	1,031	4,808
Proceeds from limited partner equity	1,566	-	1,566	-
Cash paid for syndication	(1,523)	-	(1,523)	-
Refunds of entrance fees paid	(2,464)	-	(2,464)	(1,217)
Investment income from marketable securities held in trust	-	204	204	287
<b>Cash provided by (used in) financing activities</b>	<b>4,586</b>	<b>(134)</b>	<b>(4,942)</b>	<b>2,490</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>733</b>	<b>(145)</b>	<b>588</b>	<b>247</b>
Beginning of year	2,378	479	2,857	2,610
End of year	\$ 3,111	\$ 334	\$ 3,445	\$ 2,857

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

**Northern California Presbyterian Homes and Services, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2013 and 2012**  
*(dollars in thousands)*

	2013		2012	
	NCPHS	SSNC	Consolidated	Consolidated
<b>Reconciliation of change in net assets to cash from operating activities</b>				
Change in net assets	\$ 19,758	\$ 2,455	\$ 22,213	\$ 5,501
Adjustments to reconcile change in net assets to cash provided by operating activities				
Amortization of entrance fees	(13,870)	-	(13,870)	(14,437)
Depreciation	8,975	-	8,975	8,546
Amortization of prepaid rent	-	-	-	4
Gain on interest rate swap	(625)	-	(625)	(155)
Unrealized and realized loss (gain) on investments	(7,634)	(1,252)	(8,886)	(5,829)
Change in additional minimum pension liability	(13,084)	-	(13,084)	(304)
Contribution revenue from endowment gifts	-	(85)	(85)	(126)
Change in value of split interest agreements	-	(275)	(275)	(630)
Accretion of conditional asset retirement obligation	170	-	170	367
Contribution of assets	-	(18)	(18)	(15)
Change in non-controlling interest	(43)	-	(43)	-
Change in operating assets and liabilities				
Changes in receivables, other assets, payables and other accruals	1,677	(206)	1,471	(1,686)
Change in pledges receivable	-	(61)	(61)	4
Entrance fees received	18,256	-	18,256	19,576
Cash provided by operating activities	<u>\$ 13,580</u>	<u>\$ 558</u>	<u>\$ 14,138</u>	<u>\$ 10,816</u>
<b>Non cash transactions</b>				
Fixed asset additions included in accounts payable	<u>\$ 514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498</u>

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

**Northern California Presbyterian Homes and Services, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013 and 2012**  
*(dollars in thousands)*

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**1. Corporate Purpose and Structure**

**Corporate Purpose**

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

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

**Corporate Structure**

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

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

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

NCPHS owns and operates EPA and TPT, which are low-to-moderate income rental housing facilities operated in accordance with the provisions of Sections 236 and 202 of the National Housing Act. During 2013, these facilities received approximately 75% (EPA), and 64% (TPT) of their rental revenue from the U.S. Department of Housing and Urban Development ("HUD"). During 2012, these facilities received approximately 75% (EPA), and 65% (TPT) of their rental revenue from HUD.

Until October 17, 2013, NCPHS solely owned and operated WPA, also a low-to-moderate income rental housing facility operated in accordance with the provisions of Sections 202 of the National Housing Act. WPA received approximately 44% of its rental revenue from the U.S. Department of Housing and Urban Development in both 2013 and 2012.

On March 13, 2013, Western Park Apartments, L.P. (WPA L.P.) was formed as a limited partnership to acquire, rehabilitate, own, and operate WPA. WPA L.P. is controlled by its general partner, NCPHS WPA LLC. NCPHS is the sole member of NCPHS WPA LLC.

On October 17, 2013, NCPHS sold WPA's land, building and improvements to WPA L.P. for the purchase price of \$27.2 million, including a promissory note of \$21.9 million. Since the parties

**Northern California Presbyterian Homes and Services, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013 and 2012**  
**(dollars in thousands)**

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involved in the purchase transaction are affiliates under common control of NCPHS, management has recorded the transfer of assets at carrying value with no recognition of gains and losses. In addition, intercompany receivables, payables, and loans between these affiliates have been eliminated upon consolidation.

WPA is operational but undergoing a significant rehabilitation as of December 31, 2013. The construction is funded by a Citibank construction loan (see footnote 9). WPA L.P. is expected to participate in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. It is also expected to continue to operate in accordance with the provisions of Section 202 of the National Housing Act. Various loans, regulatory and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2068. The limited partners will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of WPA L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partners are required to provide capital contributions of \$15.7 million that will be used to repay a portion of the \$28.8 million construction loan. After the compliance period, NCPHS will have an option (expiring 18 months thereafter) to purchase the Project, which if exercised will cause WPA L.P. to cease. The purchase price will be the greater of the outstanding debt and taxes of WPA L.P. or the then fair market value of WPA.

For financial reporting purposes, WPA L.P.'s balance sheet, statements of revenues, expenses, changes in net assets, and statements of cash flows are consolidated with NCPHS. The limited partner's interests in WPA L.P. is reported as non-controlling interests in the net assets section of the consolidated balance sheet.

NCPHS also owns the Woods, a manufactured home park for seniors located on 37 acres near Mendocino, California. The Woods has 109 home sites.

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

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

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

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

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

In April 2011, a new corporation, NCPHS Community Services (NCS) was created as a wholly owned subsidiary of NCPHS to administer the community services programs of both SFSC and NCPHS. SFSC became NCS's subsidiary. For financial reporting purposes, NCS and SFSC's

**Northern California Presbyterian Homes and Services, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013 and 2012**  
***(dollars in thousands)***

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balance sheet, statements of revenues, expenses, changes in net assets, and statements of cash flows are consolidated with NCPHS.

**2. Basis of Presentation and Summary of Significant Accounting Policies**

**Basis of Presentation**

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

All operating, administrative and fund raising expenses including employees assigned to SSNC activities are incurred by NCPHS on behalf of SSNC. NCPHS estimates that the cost of the services provided to SSNC was approximately \$850 and \$790 in 2013 and 2012, respectively.

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

***Unrestricted Net Assets***

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

***Temporarily Restricted Net Assets***

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

***Permanently restricted Net Assets***

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

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

**Fair Value of Financial Instruments**

The Financial Accounting Standards Board ("FASB") Statement on fair value measurements establishes a framework for measuring fair value in conformity with generally accepted accounting

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principles and expands disclosures about fair value measurements. This authoritative guidance states that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, this authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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

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

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

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

**Cash and Cash Equivalents**

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

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**Marketable Securities and Investments Held in Trust**

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

**Facilities**

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

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

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

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

Asset retirement obligations are estimated at fair value based upon discounted cash flows using the probability-weighted future cash flows for the associated retirement costs and a credit-adjusted risk free discount rate. Asset retirement obligations recorded are subject to various assumptions and determinations, such as determining whether an obligation exists to remove assets, estimating the fair value of the costs of removal and estimating when final removal will occur. Changes that may arise over time with regard to these assumptions and determinations will change such amounts recorded for asset retirement obligations. Starting in 2011 NCPHS started removing materials in apartments as they became available for new residents. NCPHS will continue to do so as apartments become available in future years. During 2013 WPA L.P. started removing materials during renovation work. This change resulted in a revision to the asset retirement obligation estimate. Asset retirement obligations are included in other long-term liabilities (See Note 4).

**Investments Held in Trust and Liability for Payments to Trust Beneficiaries**

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

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**Pledges Receivable**

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

**Trust Contributions Receivable**

Trust contributions receivable consist of gifts made to SSNC through split-interest agreements in which SSNC is a remainderman or has a perpetual income interest as beneficiary and for which there is an external trustee. These assets are carried at fair value based upon the present value of amounts anticipated to be received, using discount rates commensurate with the expected term to receipt of the assets using a discount rate of 5.7% at December 31, 2013 and 5.0% at December 31, 2012.

**Continuing Care Contracts**

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

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

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

Fewer than 90 days	90%
More than 90, less than one year	75%
More than one year, less than two years	50%
More than two years, less than three years	25%
More than three years	0%

On December 31, 2013 and 2012, \$58,599 and \$56,112 in entrance fees, respectively, were potentially subject to refund.

Under the 90% repayment option, residents pay a higher entrance fee, 90% of which will be refunded when the unit is resold. The refundable portion of the entrance fee paid is recorded as a liability and the remaining 10% is recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of

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amortization is adjusted annually using the 1979 Teknekron life table for single residents and an actuarially-prepared joint life expectancy table for married residents.

NCPHS annually evaluates the need to accrue a liability for losses related to the obligation to provide future services under continuing care contracts. A loss must be accrued if the estimated present value of the net cost of future services and use of facilities to be provided to current residents exceeds the amount of unamortized entrance fees. The obligation is equal to the present value of the estimated cash cost of providing care in excess of estimated periodic fees to be received from residents over the residents' life expectancies plus depreciation of the facilities used by residents. The obligation assumes that the annual increase in the cost of care will be 5.0% and 5.1% as of December 31, 2013 and 2012, respectively, and that the annual increase in monthly care fees will be 3.3% and 3.3% as of December 31, 2013 and 2012. For 2013 and 2012, interest rates of 5.00% and 4.25%, respectively, were used to discount the cost of providing lifetime care in excess of resident fees. Based on the above, the cost of providing lifetime care in excess of monthly resident fees was \$70,809 and \$74,379, on a discounted basis, and \$77,100 and \$81,381 on an undiscounted basis, at December 31, 2013 and 2012, respectively. Since the present value of the net cost of future services and use of facilities was less than the amount of unamortized entrance fees as of December 31, 2013 and 2012, this calculation did not result in an additional liability.

**Fees for Services**

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

**Contributions**

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

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

**Investment Income**

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

**Limited Use Assets**

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

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**Change in Value of Split-Interest Agreements**

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

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

**Performance Indicator**

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

**Interest Rate Swap**

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

**Estimates**

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

**Risks and Uncertainties**

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

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**3. Marketable Securities**

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

	<b>2013</b>	<b>2012</b>
Cash equivalents	\$ 936	\$ 2,054
U.S. Government securities	1,007	404
Common stocks	24,653	21,207
Corporate fixed income securities	2,123	2,254
Equity mutual funds	19,412	15,528
Fixed income mutual funds	27,433	28,252
	<u>\$ 75,564</u>	<u>\$ 69,699</u>

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

	<b>2013</b>	<b>2012</b>
Interest income	\$ 1,090	\$ 770
Net realized gains on sales of investments	4,541	2,676
Other than temporary impairment on investments	(267)	(717)
	<u>\$ 5,364</u>	<u>\$ 2,729</u>

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**4. Facilities**

Facilities at December 31, 2013 and 2012 consist of the following:

	<b>2013</b>	<b>2012</b>
<b>Continuing Care Facilities</b>		
Sequoias - SF		
Land	\$ 661	\$ 661
Building and building equipment	79,687	76,648
Equipment and furniture	5,572	5,270
Less: Accumulated depreciation	<u>(45,571)</u>	<u>(42,260)</u>
	<u>40,349</u>	<u>40,319</u>
Sequoias - PV		
Land	303	303
Building and building equipment	70,236	68,445
Equipment and furniture	5,104	4,816
Less: Accumulated depreciation	<u>(28,336)</u>	<u>(25,983)</u>
	<u>47,307</u>	<u>47,581</u>
Tamalpais - RVH		
Land	850	850
Building and building equipment	47,106	43,667
Equipment and furniture	6,633	6,001
Less: Accumulated depreciation	<u>(32,510)</u>	<u>(30,622)</u>
	<u>22,079</u>	<u>19,896</u>
Continuing care facilities, net	<u>109,735</u>	<u>107,796</u>

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	2013	2012
<b>Residential housing</b>		
Western Park Apartments		
Land	-	153
Building and building equipment	-	6,908
Equipment and furniture	-	790
Less: Accumulated depreciation	-	(4,614)
	<u>-</u>	<u>3,237</u>
Eastern Park Apartments		
Land	451	451
Building and building equipment	10,914	10,349
Equipment and furniture	1,004	922
Less: Accumulated depreciation	(6,954)	(6,634)
	<u>5,415</u>	<u>5,088</u>
Town Park Towers		
Land	1,400	1,400
Building and building equipment	10,436	10,340
Equipment and furniture	1,223	1,142
Less: Accumulated depreciation	(7,906)	(7,552)
	<u>5,153</u>	<u>5,330</u>
	<u>10,568</u>	<u>13,655</u>
<b>Residential housing, net</b>		
<b>Other facilities</b>		
The Woods		
Land	735	735
Building and building equipment	5,293	4,350
Equipment and furniture	374	366
Less: Accumulated depreciation	(2,915)	(2,758)
	<u>3,487</u>	<u>2,693</u>
Corporate Office		
Land	500	
Building and building equipment	750	831
Equipment and furniture	6,903	6,133
Less: Accumulated depreciation	(5,981)	(5,756)
	<u>2,172</u>	<u>1,208</u>
SFSC		
Equipment and furniture	544	501
Less: Accumulated depreciation	(453)	(437)
	<u>91</u>	<u>64</u>
WPA L.P.		
Land	153	-
Building and building equipment	13,045	-
Equipment and furniture	836	-
Less: Accumulated depreciation	(4,812)	-
	<u>9,222</u>	<u>-</u>
	<u>14,972</u>	<u>3,965</u>
<b>Other facilities, net</b>	<u>14,972</u>	<u>3,965</u>
<b>Total facilities, net</b>	<u>\$ 135,275</u>	<u>\$ 125,416</u>

Total depreciation expense for the years ended December 31, 2013 and 2012, is \$8,975 and \$8,546, respectively.

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Construction-in-progress of \$12,011 and \$7,627 are included in building and building equipment, and equipment and furniture above, as of December 31, 2013 and 2012, respectively. Depreciation on these amounts will commence at the time the related assets are put into service.

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

	2013	2012
Beginning balance	\$ 6,944	\$ 7,023
Accretion expense	825	367
Changes in estimated cash flows	(319)	
Liabilities settled in the current period	(336)	(446)
Ending balance	<u>\$ 7,114</u>	<u>\$ 6,944</u>

**5. Investments Held in Trust**

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

	2013	2012
Cash equivalents	\$ 416	\$ 432
Fixed income mutual funds	4,227	4,090
Equity mutual funds	8,198	6,755
Corporate and government bonds	99	86
	<u>\$ 12,940</u>	<u>\$ 11,363</u>

**6. Pledges Receivable**

Pledges receivable were due as follows as of December 31:

	2013	2012
Current portion	\$ 91	\$ 26
Less: allowance	(5)	(1)
Total current portion	<u>\$ 86</u>	<u>\$ 25</u>
Greater than one year to five years	\$ 545	\$ 370
Greater than five years to twenty years	125	310
	670	680
Less: allowance	(33)	(34)
Less: unamortized discount at 0.62% to 6.75%	(88)	(96)
Total non-current portion	<u>\$ 549</u>	<u>\$ 550</u>

Pledges receivable include promises to give end-of-life gifts from donors with life expectancies ranging between zero and 8 years.

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**7. Investments Contractually Limited for Replacement, Development Deposit and Net operating Income reserve.**

**Investments Contractually Limited for Replacement**

In connection with long-term debt agreements for NCPHS' residential housing facilities, HUD requires a monthly deposit to a replacement account. Replacement accounts are held by NCPHS for EPA. In 2013, TPT paid off the long-term debt and is no longer required to maintain the replacement account and make a monthly deposit to the account.

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

**Development Deposit**

WPA L.P. was required to establish a deposit account for an initial amount of \$3,000,000. No additional deposits are required. The funds are expected to be fully withdrawn in 2015 for purposes of repaying a portion of the Citibank construction loan.

**Net Operating Income Reserve**

Commencing on November 1, 2013 and continuing on the first day of each month thereafter until the earlier of the conversion date in 2015, or the date upon which the balance in the reserve reaches \$160,942, WPA L.P. is required to deposit no less than \$11,496 each month into the reserve. The reserve shall be held by Citibank until the conversion date. At conversion, Citibank shall apply amounts held in the reserve to principal, interest, and any other amounts due under the terms of the loan agreement. Following the completion of the rehabilitation of the project, Citibank may elect, at its sole discretion, to disburse the funds in the reserve to WPA L.P. to pay costs and expenses of the rehabilitation or to pay principal, interest, or any other amounts due under the terms of the loan agreement.

Earnings attributable to these investments accrue to the facility. As of December 31, 2013 and 2012, the investments consisted of the following:

	<b>2013</b>	<b>2012</b>
Cash and certificates of deposits	\$ 3,367	\$ .916
United States Treasury securities	925	1,083
	<u>\$ 4,292</u>	<u>\$ 1,999</u>

**8. Limited Use Assets**

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

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	2013	2012
California Health Facilities Financing Authority		
Revenue Bond Series 1998		
Principal and interest fund	\$ 888	\$ 887
Revenue Bond Series 2004		
Principal and interest fund	<u>776</u>	<u>772</u>
	1,664	1,659
Less current portion	<u>(1,664)</u>	<u>(1,659)</u>
	<u>\$ -</u>	<u>\$ -</u>

The composition of limited use assets at December 31, 2013 and 2012 consisted solely of cash and cash equivalents.

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**9. Long-Term Debt and Line of Credit**

Long-term debt comprises the following at December 31:

	2013	2012
Continuing care facilities		
California Health Facilities Financing Authority Revenue Bond Series 2004 Tax-exempt Variable Rate Demand Revenue Bonds ("2004 Revenue Bonds"). Payable through 2030, collateralized by Union Bank Letter of Credit; interest at 0.03% at December 31, 2013	\$ 35,000	\$ 36,100
California Health Facilities Financing Authority Revenue Bond Series 1998, Term Bonds due 2018, interest at 5.1% totaling \$4,330; and term bonds due 2028, interest at 5.4% totaling \$12,865, principal and interest paid semi-annually, collateralized by a pledge of gross revenues of NCPHS's operations.	<u>17,195</u>	<u>17,940</u>
Continuing care facilities	<u>52,195</u>	<u>54,040</u>
Residential housing		
Western Park Apartments		
Federal National Mortgage Association, payable through 2012 in monthly installments of \$9, including net interest at 1.0% (7.5% FHA interest rate subsidy), collateralized by a first deed of trust on WPA real estate. Repaid in 2012.	-	-
Eastern Park Apartments		
HUD payable through 2020 in monthly installments of \$51 including net interest at 6.9%, collateralized by a first deed of trust on EPA real estate.	3,091	3,482
Town Park Towers		
HUD payable through 2013 in monthly installments of \$10, including net interest at 1.0% (6.0% FHA interest rate subsidy), collateralized by a first deed of trust on TPT real estate.	-	208

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HUD Flexible Subsidy Residual Receipts Note, principal and accumulated interest at 1.0% due 2013, collateralized by a first deed of trust on TPT real estate.	1,147	1,137
Western Park Apartments L.P. Citibank construction loan, interest only at 2.37% through the earlier of October 1, 2015 or completion of construction, thereafter payable in monthly installments of \$85,992 payable through October 1, 2045 including interest at 5.81%, collateralized by a first deed of trust on WPA L.P. real estate.	9,394	-
Residential housing	13,632	4,827
Total debt	65,827	58,867
Less: current portion	3,449	3,581
Total long-term debt	\$ 62,378	\$ 55,286

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

2014	\$ 3,449
2015	2,389
2016	2,684
2017	2,766
2018	2,961
Thereafter	51,578
	<u>\$ 65,827</u>

The scheduled principal payments above represent the annual payments required under debt repayment schedules. The current portion of long-term debt obligations includes payments scheduled to be made in 2014.

NCPHS' most restrictive loan covenants are those associated with the mortgages collateralized by its residential facilities which require these facilities to be operated in accordance with regulations established by HUD. HUD requires that NCPHS establish replacement accounts for the facilities subject to HUD loans (Note 7), sets upper limits on residents' income levels, requires that NCPHS submit annual budgets for approval, and approves the annual rent increases in addition to setting other residential guidelines to which NCPHS must adhere. As of December 31, 2013, NCPHS was in compliance with all debt covenants.

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

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In the event the remarketing agent is not able to sell the repurchased 2004 bonds, NCPHS has obtained a bank letter of credit which was issued to ensure repayment of the bonds to the holders and to enhance the credit rating and marketability of the bonds. Union Bank (UBOC) issued the letter of credit on August 23, 2013. The current rate is 1.25%. The letter of credit is valid through August 31, 2017. The terms of the letter of credit require NCPHS to redeem, within 365 days, any bonds purchased by UBOC due to the remarketing agent's failure to sell the bonds.

Under the terms of the various agreements entered into in connection with the issuance of the 1998 and 2004 bonds, NCPHS must comply with certain covenants including maintenance of corporate existence; maintenance of records and filing of financial statements; payment of taxes, utilities and other charges; maintenance of tax-exempt status of interest on the bonds. In addition, the letter of credit agreement contains various covenants, the most restrictive of which are maintaining a debt service coverage ratio (as defined) of at least 1.25 and requiring NCPHS to notify the bank of an adverse event that impairs or is likely to impair repayment or performance by NCPHS in an amount in excess of \$5,000. As of December 31, 2013, NCPHS was in compliance with all debt covenants.

Management believes the definition of material adverse event and other clauses within the letter of credit agreement do not constitute subjective acceleration clauses as defined under the provisions of debt presentation authoritative guidance (ASC 470-10-45). NCPHS is therefore not required to present the portion of the 2004 bonds due after 2014 as a current liability as of December 31, 2013.

As of December 31, 2013, there were no unspent bond proceeds.

On October 17, 2013, Citibank funded a loan on behalf of the City and County of San Francisco (tax exempt Bond issuer and governmental lender) in the amount of \$28,778. WPA L.P. entered into an agreement with Citibank to borrow up to the \$28,778 to fund WPA renovations. Funds are released periodically as renovations proceed. \$9,394 was outstanding as of December 31, 2013 (see above for the loan terms). Renovations are expected to be completed December 2014. The full amount of the loan is expected to be outstanding at that point. The most restrictive covenants under this loan are associated with compliance with the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California and with the provisions of Section 202 of the National Housing Act.

**Interest Rate Swap**

NCPHS entered into an interest rate swap agreement in 2007 with a financial institution that involves the exchange of fixed interest rate payments at the rate of 3.2% on an amount equal to \$17,550 as of December 31, 2013 in exchange for floating interest rate payments that equal 65% of USD-LIBOR-BBA. During the term of the agreement, NCPHS can terminate the agreement at any time prior to its expiration in 2017. The financial institution can terminate the agreement if specified adverse events occur.

**Northern California Presbyterian Homes and Services, Inc.**  
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The fair value of the interest rate swap is the estimated amount that NCPHS would currently pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparty. As of December 31, 2013 and 2012, the estimated change in fair value of the interest rate swap for each year, the gain (loss) on the interest rate swap, and the estimated fair value of the interest rate swap liability are as follows:

<u>Balances related to interest rate swap</u>	<u>Location in financial statements</u>	<u>2013</u>	<u>2012</u>
	Gain on interest rate swap in the Statement of Revenues, Expenses and Other		
Change in fair value of interest rate swap	Changes in Unrestricted Net Assets	\$ 625	\$ 155
Net payments with counterparty	Interest expense in the Statement of Revenues, Expenses and Other Changes in Unrestricted Net Assets	551	609
Fair value of interest rate swap	Other long-term liabilities in the Balance Sheet	1,509	2,134

**Line of Credit**

NCPHS has lines of credit in the amount of \$6,000 in 2013 and 2012 with a bank, of which \$4,000 is collateralized by a gross revenue pledge and \$2,000 is unsecured. The lines of credit renew annually each July. At December 31, 2013 and December 31, 2012, NCPHS had an outstanding balance of \$1,000 and \$2,000, respectively.

NCPHS has stand-by letters of credit totaling approximately \$3,222 and \$3,400 to collateralize its obligations under a high deductible workers compensation program as of December 21, 2013 and 2012, respectively, from the same bank that issued the lines of credit described above. No amounts were outstanding as of December 31, 2013 and 2012. The stand-by letters of credit restrict the availability of the lines of credit in that the total amount available at any one time from the letters of credit and lines of credit cannot exceed \$6,000.

NCPHS is required to provide written notification to the bank of any material adverse change in its financial condition or operation. There were no such changes in 2013 and 2012.

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**10. Fair Value of Financial Instruments**

The fair values of our financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2013 and 2012:

	<b>2013</b>			
	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Other Observable Inputs (Level 2)</b>	<b>Un- observable Inputs (Level 3)</b>	
<b>Total Fair Value</b>				
<b>Assets Measured at Fair Value on a Recurring Basis (1)</b>				
<b>Marketable Securities (2)</b>				
Unrestricted	\$ 75,564	\$ 75,564	\$ -	\$ -
Investments Contractually Limited for Replacement	4,292	4,292	-	-
Investments held in trust	12,940	12,940	-	-
Trust Contributions Receivable (3)	539	-	-	539
	<u>\$ 93,335</u>	<u>\$ 92,796</u>	<u>\$ -</u>	<u>\$ 539</u>
<b>Liabilities Measured at Fair Value on a Recurring Basis</b>				
Interest rate swap (4)	\$ 1,509	\$ -	\$ 1,509	\$ -

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

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

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

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

**Northern California Presbyterian Homes and Services, Inc.**  
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*(dollars in thousands)*

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

There were no transfers of assets or liabilities between Level 1 and Level 2 during the year ended December 31, 2013.

The change in the fair value of trust contributions receivable is reflected in the change in value of split-interest agreements for temporarily and permanently restricted net assets in the consolidated statements of changes in net assets. The valuation technique utilizes published actuarial life expectancies ranging from 2.43 to 14.37 years, and discount rates ranging from 5.1% to 5.7% as of December 31, 2013. The change in value of the trust contributions receivable valued using significant unobservable inputs (Level 3) is shown below:

Fair value at December 31, 2012	\$	529
New contributions		32
Maturities		(108)
Total unrealized gains included in changes in net assets		818
Total realized losses included in changes in net assets		(732)
Fair value at December 31, 2013	\$	<u>539</u>
Total gains (losses) for the year included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2013	\$	(175)
Fair value at December 31, 2011	\$	874
New contributions		157
Maturities		(617)
Total unrealized gains included in changes in net assets		981
Total realized losses included in changes in net assets		(866)
Fair value at December 31, 2012	\$	<u>529</u>
Total gains (losses) for the year included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2012	\$	(238)

On a nonrecurring basis, we are required to measure unconditional promises to give (pledges), the liability for payments to trust beneficiaries, and liabilities associated with asset retirement obligations. None of the above fair value instruments were remeasured during the year. Pledges are estimated at fair value during the period received based on the present value of expected future cash flows using the discount rate adjustment technique. The valuation technique utilizes published actuarial life expectancies ranging from 0 to 8.2 years, and discount rates ranging from 0.6% to 7.2% as of December 31, 2013. Liabilities for payments to trust beneficiaries are estimated at fair value at the time the related trust assets are received based on the present value of estimated future payments over the expected life of income beneficiaries using the discount rate adjustment technique. The valuation technique utilizes published actuarial life expectancies ranging from 2.4 to 15.8 years, and discount rates ranging from 0.6% to 6.8% as of December 31, 2013. Liabilities associated with asset retirement obligations are estimated at fair value based on discount rates ranging from 4.9% to 6.3%, and inflation rate of 3.0% and 3.5%.

**Northern California Presbyterian Homes and Services, Inc.**  
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*(dollars in thousands)*

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**Fair Value of Debt Instruments**

For the 2004 Revenue Bonds, the carrying value approximates the fair value as the interest rates are adjusted on a weekly basis and fluctuate with changes in market rates. The fair value of NCPHS' fixed rate debt, based on quoted market prices (Level 2) is \$18,220 and \$17,956 at December 31, 2013 and 2012, respectively.

The fair value of the EPA debt is \$3,506 and \$4,111 at December 31, 2013 and 2012, respectively. It matures in 2020. The fair value is based on a conventional discounted cash flow methodology and utilizes assumptions of current borrowing rates. For all other debt, including the TPT debts and the outstanding lines of credit, the carrying value approximates fair value.

**11. Pension Plan**

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

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

	2013	2012
Projected benefit obligation at December 31	\$ (59,579)	\$ (61,962)
Fair value of plan assets at December 31	54,357	43,228
Funded status	<u>\$ (5,222)</u>	<u>\$ (18,734)</u>

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

	2013	2012
Pension liability	\$ 5,222	\$ 18,734
Noncurrent liability	<u>\$ 5,222</u>	<u>\$ 18,734</u>

**Northern California Presbyterian Homes and Services, Inc.**  
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The accumulated benefit obligation is \$56,284 and \$49,489 as of December 31, 2013 and 2012, respectively.

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

	2013	2012
<b>Weighted-average assumptions used to determine benefit obligations</b>		
Discount rate	5.00%	4.25%
Rate of compensation increase	3.00%	3.00%
<b>Weighted-average assumptions used to determine net periodic benefit cost for years ended</b>		
Discount rate	4.25%	4.75%
Expected long-term return on plan assets	7.25%	7.25%
Rate of compensation increase	3.00%	3.00%

Net periodic pension cost for 2013 and 2012 was determined by an independent actuary and is calculated using a prescribed attribution method, based on acceptable actuarial assumptions, which are adjusted periodically to reflect actual experience. NCPHS uses a December 31 measurement date for the above defined plan. Pension cost is summarized as follows:

	2013	2012
Benefits cost	\$ 3,172	\$ 3,677
Employer contributions	3,600	3,600
Benefits paid	1,666	1,497

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

	2013	2012
Service cost	\$ 2,254	\$ 2,382
Interest cost	2,620	2,527
Expected return on plan assets	(3,185)	(2,663)
Amortization of prior service cost	11	11
Amortization of net loss	1,472	1,420
Net periodic benefit cost	<u>\$ 3,172</u>	<u>\$ 3,677</u>

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

	2013	2012
Net actuarial loss	\$ 6,361	\$ 19,433
Prior service cost	3	15
	<u>\$ 6,364</u>	<u>\$ 19,448</u>

**Northern California Presbyterian Homes and Services, Inc.**  
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The net actuarial losses and prior service costs recognized as other changes in unrestricted net assets and representing amounts not previously recognized in net periodic benefit costs for the year ended December 31, are as follows:

	2013	2012
Net actuarial (gains) losses	\$ (11,600)	\$ 1,127
Amortization of actuarial gains (losses)	(1,472)	(1,420)
Amortization of prior service costs	(11)	(11)
	<u>\$ (3,083)</u>	<u>\$ (304)</u>

The net actuarial losses and prior service costs expected to be recognized as other changes in unrestricted net assets during the fiscal year ended December 31, 2014 are as follows:

Net actuarial losses	\$ 43
Prior service costs	3
	<u>\$ 46</u>

Projected benefits payments for the plan are as follows:

2014	\$ 2,364
2015	2,538
2016	2,814
2017	3,112
2018	3,283
2019-2023	18,969

NCPHS expects to contribute \$2,400 to its pension plan in 2014.

Plan assets are invested with an appointed custodian. The contract with the custodian allows for investments in equity, money market, mutual fund and real estate investments under the direction of NCPHS. Plan assets are invested with the objective of achieving a long-term rate of return of 7.25%. This is achieved through investment in a mix of equity and fixed income investments, with targeted allocations of 70% equity instruments and 30% fixed income instruments. Over time, equity investments are expected to return 8.25%, while fixed income investments are expected to return 5.0%. This produces an expected composite long term return on investment of 7.25%. Plan assets as of December 31, 2013 and 2012 were invested as follows:

	2013	2012
Cash and cash equivalents	\$ 2,035	\$ 1,271
Common stocks	23,099	16,800
Equity mutual funds	16,402	13,215
Fixed income mutual funds	12,820	11,942
	<u>\$ 54,356</u>	<u>\$ 43,228</u>

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

**Northern California Presbyterian Homes and Services, Inc.**  
**Notes to Consolidated Financial Statements**  
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For 2013 and 2012, plan assets are stated at fair value using level 1 input within the fair value hierarchy. Cash equivalents and mutual funds are valued at quoted market prices on an exchange and active markets. Common stocks are valued at the last sale price on the last business day of the Plan year, as quoted on a recognized exchange or an industry standard pricing service.

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

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

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

**12. Endowments**

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

**Interpretation of Relevant Law**

The Board of Trustees of SSNC has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, NCPHS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The organization appropriates all investment income on the endowment funds for expenditure through temporarily restricted net assets.

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

<b>Donor-restricted endowment funds</b>	<b>2013</b>	<b>2012</b>
Temporarily restricted	\$ 2,536	\$ 2,612
Permanently restricted	5,747	5,622
	<u>\$ 8,283</u>	<u>\$ 8,234</u>

**Northern California Presbyterian Homes and Services, Inc.**  
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Changes in endowment net assets for the fiscal year ended December 31 are as follows:

	Temporary Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2012	\$ 2,612	\$ 5,622	\$ 8,234
Investment return:			
Investment income (loss)	165	-	165
Net appreciation (realized and unrealized)	258	-	258
Total investment return	423	-	423
Contributions	-	125	125
Appropriation of endowment assets for expenditure	(499)	-	(499)
Endowment net assets, December 31, 2013	<u>\$ 2,536</u>	<u>\$ 5,747</u>	<u>\$ 8,283</u>

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

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

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires NCPHS to retain as a fund of perpetual duration. The organization had no deficiencies of this nature in its endowment funds, as of December 31, 2013 and December 31, 2012.

**Return Objectives and Risk Parameters**

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

**Northern California Presbyterian Homes and Services, Inc.**  
**Notes to Consolidated Financial Statements**  
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**(dollars in thousands)**

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while assuming a moderate level of investment risk. NCPHS expects its endowment funds, over time, to provide an average rate of return of at least 6.25% annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

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

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

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

**13. Commitments and Contingencies**

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

As of December 31, 2013, NCPHS had a number of capital projects ongoing, including WPA L.P. renovations. NCPHS has entered into various contracts in relation to these capital projects. The total commitment as of December 31, 2013 is \$14,455.

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

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

**14. Subsequent Events**

In December 2013, NCPHS entered into a purchase and sale agreement (PSA) and paid a \$500,000 refundable deposit for the purchase of land as a site for the possible development of a new Continuing Care Retirement Community. In early 2014, after completing initial due diligence, NCPHS paid an additional \$500,000 to secure site control. The total deposit of \$1,000,000 is now non-refundable unless the seller does not perform under the PSA. The seller expects to deliver a fully entitled site to NCPHS by the end of 2014. The price of the property is expected to be \$11.4 million.

NCPHS has conducted an evaluation of subsequent events through April 30, 2014, the date the financial statements were available to be issued. No other subsequent events were noted.



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MAY 02 2014

CONTINUING CARE  
CONTRACTS BRANCH

**Report of Independent Auditors  
on Supplementary Information**

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

We have audited the consolidated financial statements of Northern California Presbyterian Homes and Services, Inc. and related entities as of December 31, 2013 and for the year then ended and our report thereon appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The community service information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

*Princeton & Coopers LLP*

April 30, 2014

**Northern California Presbyterian Homes and Services, Inc.**  
**Community Service Information**  
**December 31, 2013 and 2012**  
*(dollars in thousands)* *(Unaudited)*

The following reflects the expenditures made by Northern California Presbyterian Homes and Services, Inc. ("NCPHS"), net of amounts funded by grants and other donation support for the years ended December 31, 2013 and 2012:

	Program Expense	User Fees & Government Grants	Unponsored Cost	Donation Support	Net Community Benefit 2013
Residential Financial Support \$	469	\$ -	\$ 469	\$ (469)	\$ -
Meals Program	34	(13)	21	(4)	17
Living at Home Program	908	(764)	144	(101)	43
ROSS Grant	566	(501)	65	(70)	(5)
Coming of Age	-	-	-	-	-
RSVP	352	(226)	126	(39)	87
Life Long Learning	22	(4)	18	(3)	15
Experience Corp Marin	223	(125)	98	(25)	73
Training for Disabled	36	-	36	-	36
Well Elder	18	-	18	-	18
San Francisco Senior Center	2,587	(2,166)	421	(200)	221
	<u>\$ 5,215</u>	<u>\$ (3,799)</u>	<u>\$ 1,416</u>	<u>\$ (911)</u>	<u>\$ 505</u>

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

The following is a summary of NCPHS' Community Services:

- A meals program, which serves meals in senior housing settings.
- A Living at Home Program, which includes the Resident Opportunities for Self-Sufficiency (ROSS) program, whose social workers assist over 2,000 persons annually in primarily low-income settings in San Francisco and Santa Clara counties.
- Corporate sponsorship of Coming of Age - Bay Area, which is supported with a RSVP grant. Coming of Age helps people ages 50 and over make rewarding transitions to the next phase of life by providing pathways to explore passions, plan for future, become community leaders, pursue lifelong learning and engage in meaningful service. Coming of Age offers Learning Labs, workshops for nonprofits that seek to enhance their capacity to capture the energy and expertise of volunteers ages 50 and over.
- Experience Corps Marin, which taps the skills of over 50 older adults to provide academic support to about 800 students in 5 San Rafael elementary schools.
- AARP (formerly American Association of Retired Person) Experience Corps Marin, which taps the skills of 100 older adults to provide academic support to about 1000 students in 6 Marin County elementary schools.
- In collaboration with the ARC (formerly Aid to Retarded Citizens) of San Francisco, we provides work and training opportunities for developmentally disabled persons in San Francisco.

**Northern California Presbyterian Homes and Services, Inc.**  
**Community Service Information**  
**December 31, 2013 and 2012**  
*(dollars in thousands)* *(Unaudited)*

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- Well Elder, a project to provide health and social services in a cost-effective and humane manner for seniors, which assists 600 persons in three of our residential housing communities through direct service and education/health screening programs.
- In partnership with Peninsula Volunteers, a service coordinator who supplements the Meals on Wheels program to support the psychosocial, health, financial, recreational and legal needs of 250 to 300 senior meal recipients in San Mateo County through March 2012.
- San Francisco Senior Center includes a seven day a week meal site, a transitional care program, a senior activities program, a fitness and wellness program, computer tutoring and fine arts classes.



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**Report of Independent Auditors  
on Supplementary Information**

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

We have audited the consolidated financial statements of Northern California Presbyterian Homes and Services, Inc. and related entities as of December 31, 2013 and for the year then ended and our report thereon appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental financial information on pages 37 through 39 is presented for purposes of additional analysis and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

April 30, 2014

**Northern California Presbyterian Homes and Services, Inc.**  
**Details of Operations**  
**Sequoias – San Francisco**  
**For the year ended December 31, 2013**  
**(dollars in thousands)**

	<b>2013</b>	<b>2012</b>
<b>Operating revenues and support</b>		
Resident fees	\$ 15,541	\$ 14,687
Amortization of entrance fees	5,266	5,127
Fees for services and other income	2,082	2,161
Investment income including realized gains and losses on investments	<u>0</u>	<u>0</u>
 Total operating revenues and support	 <u>22,889</u>	 <u>21,975</u>
 <b>Expenses</b>		
Program expenses		
Housing		
Program	4,988	5,217
Interest expense	872	891
Depreciation	3,334	3,110
Food service	4,609	4,350
Health care	6,082	5,644
Other program services	<u>2,992</u>	<u>2,814</u>
	<u>22,877</u>	<u>22,026</u>
Program support expense		
Administration	<u>1,987</u>	<u>1,929</u>
 Total expenses	 <u>24,864</u>	 <u>23,955</u>
 Change in unrestricted net assets from operations	 <u>(1,975)</u>	 <u>(1,980)</u>
 <b>Other Changes</b>		
Grants used for programs and facilities	<u>2,221</u>	<u>582</u>
 Change in unrestricted net assets	 <u>\$ 246</u>	 <u>\$ (1,398)</u>

**Northern California Presbyterian Homes and Services, Inc.**  
**Details of Operations**  
**Sequoias – Portola Valley**  
**For the year ended December 31, 2013**  
**(dollars in thousands)**

	<b>2013</b>	<b>2012</b>
<b>Operating revenues and support</b>		
Resident fees	\$ 14,417	\$ 14,126
Amortization of entrance fees	4,564	5,079
Fees for services and other income	3,806	3,462
Investment income including realized gains and losses on investments	<u>0</u>	<u>0</u>
 Total operating revenues and support	 <u>22,787</u>	 <u>22,667</u>
 <b>Expenses</b>		
Program expenses		
Housing		
Program	4,712	4,425
Interest expense	626	635
Depreciation	2,353	2,244
Food service	3,993	4,048
Health care	6,351	6,328
Other program services	<u>2,962</u>	<u>2,756</u>
	<u>20,997</u>	<u>20,436</u>
Program support expense		
Administration	<u>1,929</u>	<u>1,873</u>
 Total expenses	 <u>22,926</u>	 <u>22,309</u>
 Change in unrestricted net assets from operations	 <u>(139)</u>	 <u>358</u>
 <b>Other Changes</b>		
Grants used for programs and facilities	<u>220</u>	<u>225</u>
 Change in unrestricted net assets	 <u>\$ 81</u>	 <u>\$ 583</u>

**Northern California Presbyterian Homes and Services, Inc.**  
**Details of Operations**  
**Sequoias - Tamalpais**  
**For the year ended December 31, 2013**  
**(dollars in thousands)**

	<b>2013</b>	<b>2012</b>
<b>Operating revenues and support</b>		
Resident fees	\$ 14,693	\$ 13,797
Amortization of entrance fees	4,040	4,232
Fees for services and other income	1,690	2,041
Investment income including realized gains and losses on investments	<u>0</u>	<u>0</u>
 Total operating revenues and support	 <u>20,423</u>	 <u>20,070</u>
 <b>Expenses</b>		
Program expenses		
Housing		
Program	4,664	5,180
Interest expense	510	521
Depreciation	1,944	1,759
Food service	3,995	3,890
Health care	5,894	5,662
Other program services	<u>2,790</u>	<u>2,693</u>
	<u>19,797</u>	<u>19,705</u>
Program support expense		
Administration	<u>1,929</u>	<u>1,873</u>
 Total expenses	 <u>21,726</u>	 <u>21,578</u>
 Change in unrestricted net assets from operations	 <u>(1,303)</u>	 <u>(1,508)</u>
 <b>Other Changes</b>		
Grants used for programs and facilities	<u>234</u>	<u>272</u>
 Change in unrestricted net assets	 <u>\$ (1,069)</u>	 <u>\$ (1,236)</u>

## **Part 5**



R E C E I V E D  
MAY 02 2014

**Independent Auditor's Report**

CONTINUING CARE  
CONTRACTS BRANCH

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

***Report on the Continuing Care Reserve Report***

We have audited the accompanying Continuing Care Reserve Report Part 5 ("Reports") of Northern California Presbyterian Homes and Services, Inc. ("NCPHS") as of December 31, 2013 and the related note.

***Management's Responsibility on the Continuing Care Reserve Report***

Management is responsible for the preparation and fair presentation of the Reports in accordance with California Health and Safety Code Section 1792, as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Reports that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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



***Opinion***

In our opinion, the Reports referred to above present fairly, in all material respects, the liquid reserve requirements of NCPHS as of December 31, 2013, in conformity with the report preparation provisions of the California Health and Safety Code section 1792 as described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 to the Reports, which describes the basis of accounting. The schedule was prepared by NCPHS on the basis of the financial reporting provisions of the 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 financial reporting provisions of the California Health and Safety Code section 1792, as described in Note 1. Our opinion is not modified with respect to this matter.

***Restriction on Use***

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

*Princeton & Hunt Coopers LLP*

April 30, 2014

**FORM 1-1**  
**RESIDENT POPULATION**

<u>Line</u>	<b>Continuing Care Residents</b>	<b>TOTAL</b>
[1]	Number at beginning of fiscal year	316
[2]	Number at end of fiscal year	323
[3]	Total Lines 1 and 2	639
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	319.5
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	316
[7]	Number at end of fiscal year	323
[8]	Total Lines 6 and 7	639
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	319.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	1.00

**FORM 1-2**  
**ANNUAL PROVIDER FEE**

<u>Line</u>		<b>TOTAL</b>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$24,863,680
[a]	Depreciation	\$3,333,797
[b]	Debt Service (Interest Only)	\$872,098
[2]	Subtotal (add Line 1a and 1b)	\$4,205,895
[3]	Subtract Line 2 from Line 1 and enter result.	\$20,657,785
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	100%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$20,657,785
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$20,658

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

**FORM 1-1  
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	296
[2]	Number at end of fiscal year	298
[3]	Total Lines 1 and 2	594
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	297
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	296
[7]	Number at end of fiscal year	298
[8]	Total Lines 6 and 7	594
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	297
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	1.00

**FORM 1-2  
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$22,925,804
[a]	Depreciation	\$2,353,312
[b]	Debt Service (Interest Only)	\$625,617
[2]	Subtotal (add Line 1a and 1b)	\$2,978,929
[3]	Subtract Line 2 from Line 1 and enter result.	\$19,946,875
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	100%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$19,946,875
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$19,947

**FORM 1-1  
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	305
[2]	Number at end of fiscal year	307
[3]	Total Lines 1 and 2	612
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	306
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	305
[7]	Number at end of fiscal year	307
[8]	Total Lines 6 and 7	612
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	306
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	1.00

**FORM 1-2  
ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only) <u>\$21,726,734</u>
[a]	Depreciation <u>\$1,943,660</u>
[b]	Debt Service (Interest Only) <u>\$510,170</u>
[2]	Subtotal (add Line 1a and 1b) <u>\$2,453,830</u>
[3]	Subtract Line 2 from Line 1 and enter result. <u>\$19,272,904</u>
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11) <u>100%</u>
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) <u>\$19,272,904</u>
[6]	Total Amount Due (multiply Line 5 by .001) <u>\$19,273</u>

**PROVIDER:** Northern California Presbyterian Homes & Services, Inc.

**COMMUNITY:** Tamalpais

## **Part 2**

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))	
1	07/29/98	\$745,000	\$958,737	\$0	\$1,703,737	
2	03/01/72	\$0	\$0	\$0	\$0	
3	03/01/80	\$389,732	\$226,606	\$0	\$616,338	
4	10/01/73	\$208,416	-\$106,980	\$0	\$101,436	
5	01/01/94	\$0	\$9,656	\$0	\$9,656	
6	09/14/04	\$1,100,000	\$640,684	\$485,129	\$2,225,813	
7	Line of Credit	\$0	\$56,947	\$0	\$56,947	
8					\$0	
<b>TOTAL:</b>				\$1,785,650	\$485,129	\$4,713,927

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

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

**PROVIDER:** Northern California Presbyterian Homes & Services, Inc.

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

	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
Long-Term Debt Obligation 1	10/17/14	\$0	\$0	0	\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>		\$0	\$0	0	\$0

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

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

**PROVIDER:** Northern California Presbyterian Homes & Services, Inc.

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

<b>Line</b>	<b>TOTAL</b>
1 Total from Form 5-1 bottom of Column (e)	<u>\$4,713,927</u>
2 Total from Form 5-2 bottom of Column (e)	<u>\$0</u>
3 Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	<u>\$0</u>
4 <b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<u><u>\$4,713,927</u></u>

**PROVIDER:** Northern California Presbyterian Homes & Services, Inc.

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$24,863,680
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$872,098
	b. Credit enhancement premiums paid for long-term debt (see instructions)	
	c. Depreciation	\$3,333,797
	d. Amortization	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	
	f. Extraordinary expenses approved by the Department	
3	Total Deductions	\$4,205,895
4	Net Operating Expenses	\$20,657,785
5	Divide Line 4 by 365 and enter the result.	\$56,597
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$4,244,750

**PROVIDER:** Northern California Presbyterian Homes & Services, Inc.

**COMMUNITY:** Sequoias - San Francisco

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$22,925,804
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$625,617
	b. Credit enhancement premiums paid for long-term debt (see instructions)	
	c. Depreciation	\$2,353,312
	d. Amortization	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	
	f. Extraordinary expenses approved by the Department	
3	Total Deductions	\$2,978,929
4	Net Operating Expenses	\$19,946,875
5	Divide Line 4 by 365 and enter the result.	\$54,649
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.	\$4,098,673

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

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	<u>\$21,726,734</u>
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	<u>\$510,170</u>
	b. Credit enhancement premiums paid for long-term debt (see instructions)	
	c. Depreciation	<u>\$1,943,660</u>
	d. Amortization	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	
	f. Extraordinary expenses approved by the Department	
3	Total Deductions	<u>\$2,453,830</u>
4	Net Operating Expenses	<u>\$19,272,904</u>
5	Divide Line 4 by 365 and enter the result.	<u>\$52,802</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	<u>\$3,960,186</u>

**PROVIDER:** Northern California Presbyterian Homes & Services, Inc.

**COMMUNITY:** Tamalpais

**FORM 5-5  
ANNUAL RESERVE CERTIFICATION**

Provider Name: Northern California Presbyterian Homes & Services, Inc.  
 Fiscal Year Ended: 12/31/2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2013 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	\$4,713,927
[2] Operating Expense Reserve Amount	\$12,303,609
[3] Total Liquid Reserve Amount:	\$17,017,536

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

<u>Qualifying Asset Description</u>	<u>Amount</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	\$204,965	\$204,965
[5] Investment Securities	\$16,938,937	\$16,938,937
[6] Equity Securities	\$10,744,561	\$10,744,561
[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>		
Listed for Reserve Obligation: [11]	\$27,888,463	\$27,888,463 [12]
Reserve Obligation Amount: [13]	\$4,713,927	\$12,303,609 [14]
Surplus/(Deficiency): [15]	\$23,174,536	\$15,584,854 [16]

Signature:   
 (Authorized Representative)

Date: 4/29/2014

VP Finance  
 (Title)

**Northern California Presbyterian Homes and Services, Inc.**

**Form 5-5**

**Additional Disclosures**

Status Description and Amount of Reserves:

NCPHS' reserves consist of cash and cash equivalents of \$2,299,746 and marketable securities of \$55,776,916 totaling \$58,076,662. NCPHS targets an allocation of approximately 50% for equity investments for its marketable securities.

Per capita costs

The per capita cash cost of care excluding interest and depreciation expense for NCPHS' facilities for 2013 was as follows:

Sequoias San Francisco	\$64,657
Sequoias Portola Valley	\$67,161
Tamalpais	\$62,983

Funds accumulated for specific projects and/or contingencies

NCPHS had accumulated cash and marketable securities totaling \$58,076,662 as of December 31, 2013. While these funds have not been designated for specific needs or projects, they are generally available to respond to contingencies; provide funding for projects which are internally financed and support NCPHS' efforts to grow and serve more seniors consistent with its tax exempt purpose.

In 2013, NCPHS' cash flow from operations including entrance fees was sufficient to cover its activities so accumulated cash and marketable securities were not required to fund projects. Projects in excess of \$250,000 completed in 2013 were as follows:

Sequoias Portola Valley

Roof replacement	
– second phase	\$ 748,467
Boiler replacement	\$ 213,144

### Sequoias San Francisco

Assisted Living Memory Care	\$ 2,069,317
-----------------------------	--------------

### Tamalpais

Exterior window replacement	\$ 683,840
Residential lounge remodels	\$ 376,194
Health Center sprinklers – continuation	\$ 1,251,011

Projects included in the 2014 capital budget which are greater than \$250,000 include the following:

### Sequoias Portola Valley

Apartment upgrades	\$ 390,104
Main building remodel	\$ 1,092,727
Swimming pool enclosure	\$ 251,764

### Sequoias San Francisco

Apartment renovations	\$ 700,000
Electrical system upgrade	\$ 6,262,507

### Tamalpais

Chiller replacement	\$ 2,513,272
Independent living lounge remodel	\$ 377,925
Dining room refurbishment	\$ 286,841

While the intention is to fund these projects as well as all other projects in the 2014 capital budget with cash flow from operations including entrance fees, accumulated cash and marketable securities may be needed to fund some of this activity.

NCPHS has entered into an agreement to purchase land as a possible site for construction of a new Continuing Care Retirement Community. At December 31, 2013, there were no outstanding commitments for the project. However, NCPHS has paid a nonrefundable deposit of \$1,000,000 to secure site control in a Purchase and Sale Agreement. Funding for additional expenditures on the project will come from a combination of internal reserves and external financing.

**Northern California Presbyterian Homes and Services, Inc.**  
**Note 1 to the Continuing Care Reserve Report (Part 5)**  
**For the year ended December 31, 2013**

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The continuing care reserve report included in Part 5, has been prepared in accordance with the report preparation provisions of the California Health and Welfare Code (the Code), Section 1792.

Section 1792 of the Code indicates that the Organization should maintain at all times qualifying assets as a liquid reserve in an amount that equals or exceeds the sum of the following:

- The amount the provider is required to hold as a debt service reserve under Section 1792.3
- The amount the provider must hold as an operating expense reserve under Section 1792.4.

In accordance with the Code, the Organization has computed its liquid reserve requirement as of December 31, 2013, the Organization's most recent fiscal year end, and the reserve is based on audited financial statements for the period.

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

**Explanation: Sequoias – San Francisco**

Monthly care fee increases averaging 3.75% were implemented on April 1, 2013.

Departmental operating expenses including depreciation expense were budgeted to increase by 5.7% over the prior year and was the primary reason for the increase in monthly care fees. The portion of the increase attributable to an increase in depreciation was not passed on through increased in monthly care fees but will be covered by future increases in entrance fees. Monthly care fees are also being increased to improve operating performance which lags industry standards.

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$3,405-9,361</u>	<u>\$3,405-9,361</u>	<u>\$3,405-9,361</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.06%</u>	<u>3.06%</u>	<u>3.06%</u>

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

[3] Indicate the date the fee increase was implemented: April 1, 2013  
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

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

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$3,095-9,005</u>	<u>\$3,095-9,005</u>	<u>\$3,095-9,005</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.75%</u>	<u>3.75%</u>	<u>3.75%</u>

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

[3] Indicate the date the fee increase was implemented: April 1, 2013  
 (If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

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

## **Part 7**

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

**Explanation: Sequoias – Portola Valley**

Monthly care fees were increased an average of 3.06% effective April 1, 2013.

Departmental operating expenses were budgeted to increase 2.22% in 2013 over the prior year. The balance of the increase was applied in order to improve the operating performance of the facility which has lagged industry standards.

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$3,219-7,985</u>	<u>\$3,219-7,985</u>	<u>\$3,219-7,985</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.59%</u>	<u>3.59%</u>	<u>3.59%</u>

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

[3] Indicate the date the fee increase was implemented: April 1, 2013  
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

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

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

**Explanation: Tamalpais**

Monthly care fees for Tamalpais were increased an average of 3.59% effective April 1, 2013.

Departmental expenses excluding depreciation declined in 2013 from 2012 by 0.2%. The increase in monthly care fees was necessitated by a decrease in resident census at the Tamalpais and a need to improve operating performance which has lagged industry standards.

## **Part 8**

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

**RECEIVED**  
Date Prepared: 4/21/14  
**MAY 02 2014**

FACILITY NAME: SEQUOIAS - SAN FRANCISCO  
 ADDRESS: 1400 GEARY BOULEVARD, SAN FRANCISCO, CA ZIP CODE: 94109 PHONE: 415-822-9700  
 PROVIDER NAME: NCPHS FACILITY OPERATOR: NCPHS  
 RELATED FACILITIES: 6 RELIGIOUS AFFILIATION: PRESBYTERIAN  
 YEAR OPENED: 1969 # OF ACRES: 5  SINGLE STORY  MULTI-STORY  OTHER: \_\_\_\_\_ MILES TO SHOPPING CTR: 1  
 MILES TO HOSPITAL: 1

<b>NUMBER OF UNITS:</b>	<b>RESIDENTIAL LIVING</b>	<b>HEALTH CARE</b>
	APARTMENTS — STUDIO: <u>64</u>	ASSISTED LIVING: <u>19</u>
	APARTMENTS — 1 BDRM: <u>140</u>	SKILLED NURSING: <u>50</u>
	APARTMENTS — 2 BDRM: <u>67</u>	SPECIAL CARE: <u>18</u>
	COTTAGES/HOUSES: <u>0</u>	DESCRIBE SPECIAL CARE: <u>MEMORY CARE</u>
	RLU OCCUPANCY (%) AT YEAR END: <u>92.3%</u>	

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

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: \$ 109,300 TO \$ 1,139,300 LONG-TERM CARE INSURANCE REQUIRED?  YES  NO

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

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

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): RESIDENT COUNCIL PRESIDENTS ARE INVITED TO ATTEND AND PARTICIPATE WITHOUT VOTE

COMMON AREA AMENITIES	FACILITY SERVICES AND AMENITIES					
	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE	
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING ( <u>4</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS ( <u>1-3</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 checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input 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.

## **Part 6**



PROVIDER NAME: NCPHS

	2010	2011	2012	2013
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	\$62,097	\$62,699	\$65,484	\$71,927
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, and interest)	66,065	69,467	71,408	75,872
<b>NET INCOME FROM OPERATIONS</b>	(3,968)	(6,768)	(5,924)	(3,945)
<b>LESS INTEREST EXPENSE</b>	\$2,693	\$2,399	\$2,293	\$2,296
<b>PLUS CONTRIBUTIONS</b>	2,433	1,595	2,094	4,132
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	1,752	(13,171)	3,685	16,852
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	(\$2,476)	(\$20,743)	(2,438)	14,743
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	\$22,394	\$16,977	\$23,067	\$16,675

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CITIBANK-HUD	\$9,394,264	2.37%	2013	2043	35 YEARS
CHFFA BONDS	\$36,100,000	VARIABLE	2004	2034	30 YEARS
CHFFA BONDS	\$17,940,000	5.1-5.4%	1998	2028	30 YEARS

**FINANCIAL RATIOS**

(see next page for ratio formulas)

2012 CCAC Medians  
50<sup>th</sup> Percentile  
(optional)

	2011	2012	2013
DEBT TO ASSET RATIO	32.08%	29.40%	30.89%
OPERATING RATIO	112.50%	111.60%	107.77%
DEBT SERVICE COVERAGE RATIO	2.97	3.81	2.59
DAYS CASH-ON-HAND RATIO	246.59	263.54	278

**HISTORICAL MONTHLY SERVICE FEES**

(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013	
STUDIO	3,336	5.0	3,434	2.9	3,537	3.0	3,670	3.8%
ONE BEDROOM	3,750	5.0	3,859	2.9	3,980	3.1	4,129	3.7%
TWO BEDROOM	6,300	4.6	6,482	2.9	6,682	3.1	6,935	3.8%
COTTAGE/HOUSE								
ASSISTED LIVING								
SKILLED NURSING								
SPECIAL CARE								

COMMENTS FROM PROVIDER:

PROVIDER NAME: NCPHS

	2010	2011	2012	2013
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)				
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, and interest)				
<b>NET INCOME FROM OPERATIONS</b>				
<b>LESS INTEREST EXPENSE</b>				
<b>PLUS CONTRIBUTIONS</b>				
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)				
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>				
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)				

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGATION	DATE OF MATURITY	AMORTIZATION PERIOD
HUD	\$3,090,799	6.9%	1980	2020	40
HUD	\$1,147,089	1.0%	1994	2013	0

**FINANCIAL RATIOS**

(see next page for ratio formulas)

2012 CCAC Medians  
50<sup>th</sup> Percentile  
(optional)

	2011	2012	2013
DEBT TO ASSET RATIO			
OPERATING RATIO			
DEBT SERVICE COVERAGE RATIO			
DAYS CASH-ON-HAND RATIO			

**HISTORICAL MONTHLY SERVICE FEES**

(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO							
ONE BEDROOM							
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER:

**FINANCIAL RATIO FORMULAS**

**LONG-TERM DEBT TO TOTAL ASSETS RATIO**

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

**OPERATING RATIO**

$$\frac{\begin{aligned} &\text{Total Operating Expenses} \\ &\quad - \text{Depreciation Expense} \\ &\quad - \text{Amortization Expense} \end{aligned}}{\begin{aligned} &\text{Total Operating Revenues} \\ &\quad - \text{Amortization of Deferred Revenue} \end{aligned}}$$

**DEBT SERVICE COVERAGE RATIO**

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

**DAYS CASH ON HAND RATIO**

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

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

Continuing Care Retirement Community  
Disclosure Statement  
General Information

RECEIVED  
Date Prepared: 4/21/14  
MAY 02 2014

FACILITY NAME: SEQUOIAS - PORTOLA VALLEY  
 ADDRESS: 501 PORTOLA ROAD, PORTOLA VALLEY, CA ZIP CODE: 94028  
 PROVIDER NAME: NCPHS FACILITY OPERATOR: NCPHS  
 RELATED FACILITIES: 6 RELIGIOUS AFFILIATION: PRESBYTERIAN  
 YEAR OPENED: 1981 # OF ACRES: 42  SINGLE STORY  MULTI-STORY  OTHER: \_\_\_\_\_  
 MILES TO SHOPPING CTR: 4  
 MILES TO HOSPITAL: 6.2

NUMBER OF UNITS:	RESIDENTIAL LIVING	HEALTH CARE
	APARTMENTS — STUDIO: <u>24</u>	ASSISTED LIVING: <u>26</u>
	APARTMENTS — 1 BDRM: <u>119</u>	SKILLED NURSING: <u>47</u>
	APARTMENTS — 2 BDRM: <u>64</u>	SPECIAL CARE: <u>18</u>
	COTTAGES/HOUSES: <u>2</u>	DESCRIBE SPECIAL CARE: <u>MEMORY/DEMENTIA CARE</u>
RLU OCCUPANCY (%) AT YEAR END:	<u>94.7%</u>	

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

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: \$ 75,600 TO \$ 1,334,100 LONG-TERM CARE INSURANCE REQUIRED?  YES  NO

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

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

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): RESIDENT COUNCIL PRESIDENTS ARE INVITED TO ATTEND AND PARTICIPATE WITHOUT VOTE

COMMON AREA AMENITIES	FACILITY SERVICES AND AMENITIES				
	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING ( <u>4</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 checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>RESIDENT GARDEN</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

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



PROVIDER NAME: NCPHS

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	<u>\$62,097</u>	<u>\$62,699</u>	<u>\$65,484</u>	<u>\$71,927</u>
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, and interest)	<u>68,065</u>	<u>69,467</u>	<u>71,408</u>	<u>75,872</u>
<b>NET INCOME FROM OPERATIONS</b>	<u>(3,968)</u>	<u>(6,768)</u>	<u>(5,924)</u>	<u>(3,945)</u>
<b>LESS INTEREST EXPENSE</b>	<u>\$2,693</u>	<u>\$2,399</u>	<u>\$2,293</u>	<u>\$2,296</u>
<b>PLUS CONTRIBUTIONS</b>	<u>2,433</u>	<u>1,595</u>	<u>2,094</u>	<u>4,132</u>
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	<u>1,752</u>	<u>(13,171)</u>	<u>3,685</u>	<u>16,852</u>
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	<u>(\$2,476)</u>	<u>(\$20,743)</u>	<u>(2,438)</u>	<u>14,743</u>
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	<u>\$22,394</u>	<u>\$16,977</u>	<u>\$23,067</u>	<u>\$16,675</u>

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
CITIBANK-HUD	\$9,394,264	2.37%	2013	2043	35 YEARS
CHFFA BONDS	\$36,100,000	VARIABLE	2004	2034	30 YEARS
CHFFA BONDS	\$17,940,000	5.1-5.4%	1998	2028	30 YEARS

**FINANCIAL RATIOS**

(see next page for ratio formulas)

**2012 CCAC Medians  
50<sup>th</sup> Percentile  
(optional)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>DEBT TO ASSET RATIO</b>	<u>32.08%</u>	<u>29.40%</u>	<u>30.89%</u>
<b>OPERATING RATIO</b>	<u>112.50%</u>	<u>111.60%</u>	<u>107.77%</u>
<b>DEBT SERVICE COVERAGE RATIO</b>	<u>2.97</u>	<u>3.81</u>	<u>2.59</u>
<b>DAYS CASH-ON-HAND RATIO</b>	<u>246.59</u>	<u>263.54</u>	<u>278</u>

**HISTORICAL MONTHLY SERVICE FEES**

(AVERAGE FEE AND PERCENT CHANGE)

	<u>2010</u>	<u>%</u>	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>
STUDIO	3,216	5.5	3,307	2.8	3,405	3.0	3,506
ONE BEDROOM	3,920	5.4	4,030	2.8	4,150	3.0	4,277
TWO BEDROOM	6,908	5.4	7,115	3.0	7,332	3.0	7,559
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

**COMMENTS FROM PROVIDER:**

PROVIDER NAME: NCPHS

	2010	2011	2012	2013
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)				
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, and interest)				
<b>NET INCOME FROM OPERATIONS</b>				
<b>LESS INTEREST EXPENSE</b>				
<b>PLUS CONTRIBUTIONS</b>				
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)				
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>				
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)				

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
HUD	\$3,090,799	6.9%	1980	2020	40
HUD	\$1,147,089	1.0%	1994	2013	0

**FINANCIAL RATIOS**

(see next page for ratio formulas)

2012 CCAC Medians  
50<sup>th</sup> Percentile

(optional)

	2011	2012	2013
DEBT TO ASSET RATIO			
OPERATING RATIO			
DEBT SERVICE COVERAGE RATIO			
DAYS CASH-ON-HAND RATIO			

**HISTORICAL MONTHLY SERVICE FEES**

(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO							
ONE BEDROOM							
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER:

**FINANCIAL RATIO FORMULAS**

**LONG-TERM DEBT TO TOTAL ASSETS RATIO**

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

**OPERATING RATIO**

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

**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**

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

**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.

Continuing Care Retirement Community  
Disclosure Statement  
General Information

RECEIVED  
MAY 02 2014

Date Prepared: 4/21/14

FACILITY NAME: TAMALPAIS  
 ADDRESS: 501 VIA CASITAS, GREENBRAE, CA ZIP CODE: 94904 PHONE: 415-461-2300  
 PROVIDER NAME: NCPHS FACILITY OPERATOR: NCPHS  
 RELATED FACILITIES: 6 RELIGIOUS AFFILIATION: PRESBYTERIAN  
 YEAR OPENED: 1969 # OF ACRES: 6  SINGLE STORY  MULTI-STORY  OTHER: \_\_\_\_\_ MILES TO SHOPPING CTR: <1  
 MILES TO HOSPITAL: <1

CONTINUING CARE  
CONTRACTS BRANCH

NUMBER OF UNITS:	RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO:	<u>89</u>	ASSISTED LIVING: <u>17</u>
APARTMENTS — 1 BDRM:	<u>97</u>	SKILLED NURSING: <u>48</u>
APARTMENTS — 2 BDRM:	<u>51</u>	SPECIAL CARE: <u>0</u>
COTTAGES/HOUSES:	<u>0</u>	DESCRIBE SPECIAL CARE: <u>N/A</u>
RLU OCCUPANCY (%) AT YEAR END:	<u>93.3%</u>	

TYPE OF OWNERSHIP:  NOT-FOR-PROFIT  FOR-PROFIT ACCREDITED?:  YES  NO BY: CARE/CCAC

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: \$ 69,000 TO \$ 818,200 LONG-TERM CARE INSURANCE REQUIRED?  YES  NO

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

ENTRY REQUIREMENTS: MIN. AGE: 85 PRIOR PROFESSION: N/A OTHER: N/A

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): RESIDENT COUNCIL PRESIDENTS ARE INVITED TO ATTEND AND PARTICIPATE WITHOUT VOTE

COMMON AREA AMENITIES	FACILITY SERVICES AND AMENITIES					
	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE	
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING ( <u>4</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS ( <u>1-3</u> DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
BOWLING GREEN	<input checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
SHUFFLEBOARD	<input checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>	
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>	
OTHER <u>RESIDENT GARDEN</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>				

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



PROVIDER NAME: NCPHS

	2010	2011	2012	2013
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	\$62,097	\$62,699	\$65,484	\$71,927
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, and interest)	66,065	69,467	71,408	75,872
<b>NET INCOME FROM OPERATIONS</b>	(3,968)	(6,768)	(5,924)	(3,945)
<b>LESS INTEREST EXPENSE</b>	\$2,693	\$2,399	\$2,293	\$2,296
<b>PLUS CONTRIBUTIONS</b>	2,433	1,595	2,094	4,132
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	1,752	(13,171)	3,685	16,852
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	(\$2,476)	(\$20,743)	(2,438)	14,743
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	\$22,394	\$16,977	\$23,067	\$16,675

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CITIBANK-HUD	\$9,394,264	2.37%	2013	2043	35 YEARS
CHFFA BONDS	\$36,100,000	VARIABLE	2004	2034	30 YEARS
CHFFA BONDS	\$17,940,000	5.1-5.4%	1998	2028	30 YEARS

**FINANCIAL RATIOS**

(see next page for ratio formulas)

2012 CCAC Medians  
50<sup>th</sup> Percentile  
(optional)

	2011	2012	2013
DEBT TO ASSET RATIO	32.08%	29.40%	30.89%
OPERATING RATIO	112.50%	111.60%	107.77%
DEBT SERVICE COVERAGE RATIO	2.97	3.81	2.59
DAYS CASH-ON-HAND RATIO	246.59	263.54	278.00

**HISTORICAL MONTHLY SERVICE FEES**

(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO	3,038	5.3	3,126	2.9	3,219	3.0	3,334
ONE BEDROOM	3,897	5.5	4,007	2.8	4,128	3.0	4,277
TWO BEDROOM	6,730	5.2	6,930	3.0	7,142	3.1	7,398
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER:

PROVIDER NAME: NCPHS

	2010	2011	2012	2013
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)				
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, and interest)				
<b>NET INCOME FROM OPERATIONS</b>				
<b>LESS INTEREST EXPENSE</b>				
<b>PLUS CONTRIBUTIONS</b>				
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)				
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>				
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)				

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGATION	DATE OF MATURITY	AMORTIZATION PERIOD
HUD	\$3,090,799	6.9%	1980	2020	40
HUD	\$1,147,089	1.0%	1994	2013	0

**FINANCIAL RATIOS**

(see next page for ratio formulas)

2012 CCAC Medians  
50<sup>th</sup> Percentile  
(optional)

	2011	2012	2013
DEBT TO ASSET RATIO			
OPERATING RATIO			
DEBT SERVICE COVERAGE RATIO			
DAYS CASH-ON-HAND RATIO			

**HISTORICAL MONTHLY SERVICE FEES**

(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO							
ONE BEDROOM							
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER:

**FINANCIAL RATIO FORMULAS**

**LONG-TERM DEBT TO TOTAL ASSETS RATIO**

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

**OPERATING RATIO**

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

**DEBT SERVICE COVERAGE RATIO**

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

**DAYS CASH ON HAND RATIO**

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

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

# KEY INDICATORS REPORT

Date Prepared: 4/21/2014

## Northern California Presbyterian Homes & Services

*Susan Hood*  
 Chief Executive Officer Signature  
 MAY 02 2014

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

	CONTINUING CARE FORECAST CONTRACTS BRANCH										Preferred Trend Indicator	
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
<b>OPERATIONAL STATISTICS</b>						Projected						
1. Average Annual Occupancy by Site (%)	See next page											N/A
<b>MARGIN (PROFITABILITY) INDICATORS</b>												
2. Net Operating Margin (%)	-15.97%	-9.84%	-9.06%	-13.66%	-13.38%	-9.66%	-6.17%	-5.33%	-5.23%	-5.85%	↑	
3. Net Operating Margin - Adjusted (%)	6.58%	20.39%	14.59%	15.56%	9.43%	14.10%	16.92%	17.43%	17.21%	16.46%	↓	
<b>LIQUIDITY INDICATORS</b>												
4. Unrestricted Cash and Investments (\$000)	\$44,227	\$49,098	\$47,337	\$53,706	\$58,888	\$56,252	\$56,623	\$62,919	\$69,661	\$76,202	↑	
5. Days Cash on Hand (Unrestricted)	243	259	247	264	278	256	252	272	293	312	↑	
<b>CAPITAL STRUCTURE INDICATORS</b>												
6. Deferred Revenue from Entrance Fees (\$000)	\$91,621	\$98,927	\$106,471	\$112,568	\$115,674	\$120,535	\$125,698	\$130,780	\$135,483	\$139,761	N/A	
7. Net Annual E/F proceeds (\$000)	\$13,355	\$22,951	\$17,178	\$21,948	\$16,675	\$19,590	\$20,584	\$21,202	\$21,514	\$21,722	N/A	
8. Unrestricted Net Assets (\$000)	-\$11,008	-\$9,214	-\$25,563	-\$21,296	-\$1,473	-\$805	\$188	\$2,199	\$5,586	\$9,739	N/A	
9. Annual Capital Asset Expenditure (\$000)	\$6,603	\$11,485	\$11,679	\$11,548	\$19,031	\$34,468	\$15,341	\$10,664	\$10,997	\$11,341	N/A	
10. Annual Debt Service Coverage Revenue Basis (x)	-1.18	-0.25	-0.45	-0.75	-0.29	-0.34	-0.14	-0.05	0.00	-0.04	↑	
11. Annual Debt Service Coverage (x)	1.52	3.02	2.97	3.81	2.58	3.66	3.17	3.37	3.48	3.48	↑	
12. Annual Debt Service/Revenue (%)	7.69%	6.73%	6.77%	6.36%	5.94%	5.79%	6.55%	6.29%	6.06%	5.86%	↓	
13. Average Annual Effective Interest Rate (%)	3.52%	4.22%	3.80%	3.77%	3.44%	3.05%	4.34%	4.32%	4.30%	4.28%	↓	
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	69.27%	80.14%	80.43%	97.14%	94.41%	72.18%	75.32%	87.03%	100.54%	115.21%	↑	
15. Average Age of Facility (years)	12.96	13.34	14.26	14.45	14.7	12.76	11.3	11.41	12.02	12.58	↓	

# KEY INDICATORS REPORT

Date Prepared: 4/21/2014

## Northern California Presbyterian Homes & Services

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

	Forecast										Preferred Trend Indicator	
	2009	2010	2011	2012	2013	Projected 2014	2015	2016	2017	2018		
1. Average Annual Occupancy by Site (%)												N/A
Sequoias - San Francisco	87%	86%	86%	87%	88%	90%	92%	93%	93%	93%	93%	
Sequoias - Protola Valley	83%	88%	89%	88%	90%	92%	94%	94%	94%	94%	94%	
Tamalpais	93%	95%	92%	91%	91%	92%	93%	94%	94%	94%	94%	

## **NORTHERN CALIFORNIA PRESBYTERIAN HOMES & SERVICES, INC.**

### **Key Indicators Report - Management Discussion December 31, 2013**

#### **Margin profitability indicators**

The net operating margin ratio slightly improved in 2013 over 2012, but the overall performance of the organization when all revenues and expenses are included improved significantly over 2012. The favorable outcome in the investment markets in 2013 was a primary reason for the stronger profitability in 2013. NCPHS is forecasting improvement in the profitability indicators through 2017.

#### **Liquidity indicators**

The investment markets performed well in 2013 resulting in a 9% increase in marketable securities. Cash from contributions and resident fees also contributed in the improvement of cash balances. As a result, NCPHS's liquid assets increased relative to outstanding debt, improving this ratio.

#### **Capital structure indicators**

NCPHS's capital structure ratios remained favorable in 2013. A construction loan was taken out to rehabilitate one of NCPHS' subsidized housing facilities, which resulting in increased debt relative to assets. However, the loan proceeds in excess of capital expenses lowered the overall interest cost of debt. The increase in revenue in 2013 helped NCPHS strengthen these indicators as well.

NCPHS' debt service coverage ratio was down from previous years and reflects lower entrance fee resales in 2013 from prior years. Resales in 2014 are expected to return to previous year levels with more apartments being available for resale.

While the average age of facility has been increasing over the period 2009 through 2013. Several lag renovation projects will be completed and placed in service over the next few years which should result in a decrease in the average age.

