



R E C E I V E D
MAY 06 2014

CONTINUING CARE
CONTRACTS BRANCH

**PARADISE VALLEY
ESTATES**

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
DBA PARADISE VALLEY ESTATES**

STATE OF CALIFORNIA DEPARTMENT OF SOCIAL SERVICE

ANNUAL REPORT

CONTINUING CARE LICENSING DIVISION

AND

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

HH

HANSEN HUNTER & CO. P.C.

Certified Public Accountants



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CONTINUING CARE
CONTRACTS BRANCH

PARADISE VALLEY ESTATES

April 24, 2014

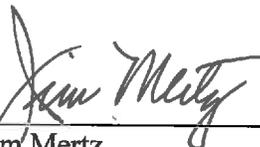
State of California
Continuing Care Contracts Branch
California Department of Social Services
744 P. Street, M.S. 10-90
Sacramento, California 95814

This Certification Notice is submitted by the Northern California Retired Officers Community, dba Paradise Valley Estates; to The State of California, Community Care Licensing Division, Continuing Care Contracts Branch, pursuant to the requirements of the Continuing Care Contract Annual Reserve Report, for the year ended December 31, 2013.

To the best of my knowledge, after a review of the enclosed information I certify the following to be true, complete and correct:

1. The Annual Report is correct.
2. Each continuing care contract form in use or offered for new residents has been approved by the Department.
3. The required reserves are being maintained.

Authorized Representative



Jim Mertz
Executive Director



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
4/14/2014

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

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

PRODUCER License # 0797015 Lewis & Assoc. Ins. Brokers, Inc. 700 W. Center Avenue Visalia, CA 93291	CONTACT NAME: Vicki Smallwood CONTINUING CARE CONTRACTS BRANCH	
	PHONE (A/C, No, Ext): (559) 733-7272	FAX (A/C, No): (559) 733-5612
E-MAIL ADDRESS: vickis@since1927.com		
INSURER(S) AFFORDING COVERAGE		NAIC #
INSURER A : Health Care Industry Liability Reciprocal Insurance Company, RRG		
INSURER B : GuideOne Insurance		15032
INSURER C : Torus Specialty Insurance Company, Inc.		4776
INSURER D : GuardianComp		
INSURER E : RSUI Indemnity		
INSURER F :		

INSURED

Northern California Retired Officers Community
 Paradise Valley Estates
 2600 Estates Drive
 Fairfield, CA 94533

COVERAGES **CERTIFICATE NUMBER:** **REVISION NUMBER:**

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR			HCA-CA02-0005-OC-07	12/01/2013	12/01/2014	EACH OCCURRENCE \$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000
							MED EXP (Any one person) \$ 5,000
							PERSONAL & ADV INJURY \$
							GENERAL AGGREGATE \$ 3,000,000
							PRODUCTS - COMP/OP AGG \$
							Prof. Liability \$ 1,000,000
B	<input checked="" type="checkbox"/> AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS			1716883	10/01/2013	10/01/2014	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000
							BODILY INJURY (Per person) \$
							BODILY INJURY (Per accident) \$
							PROPERTY DAMAGE (Per accident) \$
							Lease/Rent PD \$ 50,000
C	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> EXCESS LIAB DED <input checked="" type="checkbox"/> RETENTION \$ 10,000			31577B132AHL	12/01/2013	12/01/2014	EACH OCCURRENCE \$ 10,000,000
							AGGREGATE \$
							\$
D	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below			0120211004	01/01/2014	01/01/2015	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER
							E.L. EACH ACCIDENT \$ 1,000,000
							E.L. DISEASE - EA EMPLOYEE \$ 1,000,000
							E.L. DISEASE - POLICY LIMIT \$ 1,000,000
E	D&O Incl Fid Liab.			NHP642851	10/15/2011	10/15/2014	Limits 2,000,000
B	Crime/EE Dishonesty			1204173	10/01/2013	10/01/2014	Limits 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
Blanket Building and Business Personal Property Limits \$132,033,200; Deductible \$10,000

CERTIFICATE HOLDER Insured Copy	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE



R E C E I V E D
MAY 0 6 2014

CONTINUING CARE
CONTRACTS BRANCH

**PARADISE VALLEY
ESTATES**

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
DBA PARADISE VALLEY ESTATES**

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

HH

HANSEN HUNTER & CO. P.C.
Certified Public Accountants

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HANSEN HUNTER & CO. P.C.
Certified Public Accountants

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CONTINUING CARE
CONTRACTS BRANCH

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Northern California Retired Officers Community
dba Paradise Valley Estates
Fairfield, California

We have audited the accompanying financial statements of Northern California Retired Officers Community, dba Paradise Valley Estates (a California non-profit public benefit Corporation), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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



HANSEN HUNTER & CO. P.C.
Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern California Retired Officers Community, dba Paradise Valley Estates, as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hansen Hunter & Co. P.C.

March 20, 2014

NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2013	2012
ASSETS		
Cash and cash equivalents	\$ 3,366,312	\$ 3,976,709
Accounts and notes receivable	381,312	387,206
Entrance fees receivable	2,001,003	1,784,249
Assets whose use is limited	13,158,716	11,440,288
Investments	31,914,158	25,148,982
Prepaid expenses	446,196	241,497
Inventory	110,173	114,543
Deposits	28,354	28,354
Property and equipment, net	65,389,174	65,577,461
Intangible assets, net	19,866	25,410
Deferred financing costs, net	1,292,149	1,260,675
Total assets	\$ 118,107,413	\$ 109,985,374
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,236,126	\$ 888,311
Accrued personnel expenses	565,588	467,038
Accrued compensated annual leave	238,006	223,942
Accrued interest	697,228	983,958
Other accrued liabilities	654,650	401,140
Revenue bonds	44,780,555	46,322,401
Charitable gift annuities	144,204	202,484
Refundable entrance fees	7,296,973	5,855,400
Unearned entrance fees	47,292,526	42,621,244
Total liabilities	102,905,856	97,965,918
Net assets		
Unrestricted		
Undesignated net assets	12,360,866	9,635,731
Board designated net assets	2,598,188	2,209,268
Total unrestricted net assets	14,959,054	11,844,999
Temporarily restricted	242,503	174,457
Total net assets	15,201,557	12,019,456
Total liabilities and net assets	\$ 118,107,413	\$ 109,985,374

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

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

STATEMENTS OF ACTIVITIES

	Years Ended December 31,	
	2013	2012
Change in unrestricted net assets:		
Revenues		
Resident services	\$ 14,121,572	\$ 13,228,302
Health services	6,367,575	5,739,601
Amortization of entrance fees	6,029,895	6,855,673
Investment income	4,046,023	2,960,234
Charitable remainder trust contributions	-	32,191
Other income	375,421	103,266
	30,940,486	28,919,267
Net assets released – restricted purpose met	92,544	47,825
Total unrestricted revenues	31,033,030	28,967,092
Expenses		
Resident services	5,184,957	4,247,340
Utilities	1,737,097	1,707,733
Dining services	4,387,676	4,081,869
Health services	5,939,495	6,067,550
General and administrative	4,350,047	3,840,268
Depreciation	2,913,783	2,894,974
Amortization	233,415	173,127
Interest	1,776,450	2,457,744
Other expenses	1,396,055	58,443
Total expenses	27,918,975	25,529,048
Change in unrestricted net assets	3,114,055	3,438,044
Change in temporarily restricted net assets		
Temporarily restricted contributions	160,590	162,771
Net assets released – restricted purpose met	(92,544)	(47,825)
Change in temporarily restricted net assets	68,046	114,946
Change in total net assets	3,182,101	3,552,990
Net assets, beginning of year	12,019,456	8,466,466
Net assets, end of year	\$ 15,201,557	\$ 12,019,456

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

NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES

STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash

	Years Ended December 31,	
	2013	2012
Cash flows from operating activities		
Cash received from residents	\$ 21,123,972	\$ 19,012,235
Non-refundable entrance fees received from residents	10,767,664	6,319,467
Investment income received	1,540,788	1,698,205
Proceeds from restricted contributions	160,590	162,771
Interest paid	(2,428,831)	(2,488,610)
Cash paid to suppliers and employees	<u>(21,460,224)</u>	<u>(19,974,326)</u>
Net cash provided by operating activities	<u>9,703,959</u>	<u>4,729,742</u>
Cash flows from investing activities		
Net change in assets whose use is limited	(1,718,428)	(571,380)
Purchase and construction of property and equipment	(2,728,890)	(1,403,895)
Proceeds from sale of investments		2,973,193
Purchase of investments	<u>(4,259,941)</u>	<u>(2,110,642)</u>
Net cash used in investing activities	<u>(8,707,259)</u>	<u>(1,112,724)</u>
Cash flows from financing activities		
Payoff of Series 2002 revenue bonds	(36,360,000)	-
Proceeds from Series 2013 revenue bonds	35,426,298	-
Payments on revenue bonds	(425,000)	(2,190,000)
Financing costs paid	(1,348,447)	-
Refundable entrance fees received	1,441,573	-
Refund of refundable entrance fees	(283,241)	(1,369,228)
Charitable gift annuities received	-	62,415
Charitable gift annuity payments	<u>(58,280)</u>	<u>(56,296)</u>
Net cash used in financing activities	<u>(1,607,097)</u>	<u>(3,553,109)</u>
Net change in cash and cash equivalents	(610,397)	63,909
Cash and cash equivalents, beginning of year	<u>3,976,709</u>	<u>3,912,800</u>
Cash and cash equivalents, end of year	<u>\$ 3,366,312</u>	<u>\$ 3,976,709</u>

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

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash

(Continued)

	Years Ended December 31,	
	2013	2012
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ 3,182,101	\$ 3,552,990
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of earned entrance fees	(6,029,895)	(6,855,673)
Amortization of intangible assets and deferred financing costs	233,415	173,127
Depreciation of property and equipment	2,913,783	2,894,974
Unearned entrance fees received	10,767,664	6,319,467
Unrealized gain on investments	(2,505,235)	(1,262,029)
Loss on sale of property and equipment	3,393	4,849
Loss on write-off of old financing costs	1,089,103	-
Loss on write-off unamortized Series 2002 bond discount	182,507	-
Amortization of bond (premium) discount	(365,651)	9,249
Charitable remainder trust contributions	-	(32,191)
(Increase) decrease in assets:		
Accounts and notes receivable	5,894	96,551
Prepaid expenses	(204,699)	(52,826)
Inventory	4,370	(881)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	347,815	65,599
Accrued personnel expenses	98,550	13,895
Accrued compensated annual leave	14,064	(1,759)
Accrued interest	(286,730)	(40,115)
Other accrued liabilities	253,510	(155,485)
Net cash provided by operating activities	\$ 9,703,959	\$ 4,729,742

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

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Business

The Northern California Retired Officers Community (NCROC), located in Fairfield, California, is a California non-profit public benefit corporation organized to provide housing facilities and related services to primarily retired commissioned officers of the Uniformed Services and their spouses.

The facility consists of 327 housing units, public spaces and amenities, a 40-room assisted living facility and an 88-bed health service facility with 28 beds licensed for assisted living and 60 beds licensed as a skilled nursing facility.

NCROC operates primarily under the "continuing care" concept in which residents enter into a residential contract that generally provides for a specified entrance fee, with certain options for refunds, and for monthly service fees throughout the residents' tenancy. Generally, payment of these fees entitles residents to the use and privileges of NCROC for life. Residents are also entitled to certain health care services provided in the NCROC assisted living and skilled nursing facility. The residency agreement does not entitle the residents to an ownership interest in NCROC.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains, other support and expenses during the reporting period. Actual results could differ from those estimates.

Functional expenses

The expenses of NCROC are presented according to their functional classification in the accompanying statements of activities. There were no fundraising costs incurred for the years ending December 31, 2013 and 2012.

Cash and cash equivalents

NCROC considers all highly liquid instruments, with a maturity of three months or less at the time of purchase, to be cash equivalents, excluding assets whose use is limited. The carrying amount reported in the statements of financial position for cash and cash equivalents approximates fair value due to the short-term nature of these financial instruments.

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

Accounts and notes receivable

Accounts and notes receivable represent amounts due from residents for deposits, monthly service fees and health service fees. An allowance for doubtful accounts is based upon an analysis of the collectibility of outstanding amounts. Accounts deemed uncollectible are charged against the allowance. Subsequent recoveries of bad debts are credited to the allowance. As of December 31, 2013 and 2012, all accounts were deemed collectible. Accounts receivable balances over 90-days at December 31, 2013 and 2012, were \$67,675 and \$27,999, respectively.

Assets whose use is limited

Assets whose use is limited at December 31, 2013 and 2012 consist of cash, money market funds and other investments whose use is restricted by donors, the board of directors or the bond agreements. The use of the California Health Facilities Financing Authority Revenue Bonds Series 2013, Series 2005 and Series 2002 assets are legally restricted per the bond agreements. All limited use assets are reported at fair market value.

Investments

Investments consist of long-term certificates of deposit, mutual funds and debt and equity securities recorded at fair value. Equity securities consist of stocks of companies listed with the Securities Exchange Commission.

The fair values for debt securities and equity securities are based upon the quoted market prices at year end. Accordingly, net realized and unrealized gains and losses on debt and equity securities are reflected in the statements of activities.

Inventory

Inventory consists primarily of food and miscellaneous supplies and is stated at the lower of cost (principally using the first-in, first-out method) or market.

Property and equipment

Property and equipment acquisitions in excess of \$2,500 and with an estimated useful life of more than three years are capitalized at historical cost. Depreciation is computed using the straight-line method based upon the following estimated useful lives:

Land improvements	15 to 80 years
Building and improvements	15 to 80 years
Furniture and equipment	3 to 15 years

Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the statements of activities.

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Property and equipment (continued)

NCROC evaluates whether events and circumstances have occurred that indicate whether the carrying value of long-lived assets have been impaired. In the event that NCROC determines that impairment has occurred, a write-down to estimated fair value would be recorded. Measurement is based on those assets' estimated fair values as compared to the carrying value. No events have occurred to date that would indicate an impairment of value.

Interest costs incurred on borrowed funds, less investment income earned on unspent borrowed proceeds during the period of construction of long-term assets, are capitalized and amortized over the related assets' estimated useful lives.

Intangible assets

Intangible assets, consisting of marketing costs incurred during the development stage of NCROC, are deferred and amortized over the future periods in which management believes they will be recovered from future revenues. These costs are being amortized on a straight-line basis over a 12-year period, which approximates the average expected residency agreement term. Included in marketing costs are costs related to direct response advertising incurred prior to and during the initial occupancy period of NCROC, and other marketing and promotional costs incurred in connection with acquiring initial continuing care contracts that have been capitalized in accordance with accounting principles generally accepted in the United States of America.

All other costs of advertising, promotion and marketing programs are charged to expense in the year incurred. During 2013 and 2012, NCROC incurred marketing and advertising costs of \$1,429,128 and \$1,143,761, respectively.

Deferred financing costs

Bond issuance costs are amortized over the term of the respective bonds using the effective interest method.

Bond premium or discount

Any bond premium or discount is netted with the related debt and is amortized over the term of the respective bonds using the effective interest method.

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Refundable and unearned entrance fees

Refundable entrance fees and unearned entrance fees have been recorded as deferred revenue in the statements of financial position. NCROC offers one basic residency agreement (Agreement) with three different refund programs. The differences amongst the Agreement refund programs relate primarily to the amount of entrance fees refundable to the resident (or resident's estate) upon termination of the residency agreement. Under all plans, the resident has a limited time period to cancel the contract and receive a 100% refund of all entrance fees. This cancellation period is five months for contracts signed December 31, 2001 and prior and three months for contracts signed January 1, 2002 or later. Plan "0" provides for a declining refundable amount based on the length of residency and, generally, requires no refund after approximately four and one-half years of residency. Plans "50" and "95" provide for refunds of 50% and 95%, respectively, of entrance fees upon termination of the residency agreement. The amount of refundable entrance fees reflected in the statements of financial position are estimates that are actuarially determined using data available from similar facilities and are based upon residents' life expectancies and projected withdrawals from the facility.

Fees paid by the resident upon entering into a residency agreement, net of the portion thereof that is estimated refundable entrance fees, are recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. Resident life expectancy is reevaluated annually.

Actual amounts refundable from refundable entrance fees and unearned entrance fees could change significantly from actuarial estimates.

Obligation to provide future services

NCROC annually calculates the present value of the costs of future services and the use of facilities to be provided to current residents and compares that amount to expected resident service income and deferred revenue from unearned entrance fees. The calculation is an actuarially determined amount of future net cash flows, which is based on the present value of cash outflows and inflows (using a discount rate of 5% for 2013 and 2012) and adjusted for certain non-cash items as compared to the balance of unearned entrance fees. This calculation indicates that no net liability for future service to current residents existed at December 31, 2013 and 2012.

Resident services revenue

In addition to the entrance fees paid by the residents of NCROC, the Agreement requires each resident to pay a monthly service fee. The entire monthly service fee is recognized as revenue on a monthly basis. NCROC began offering a new rental contract during 2011 under which residents are not required to pay an entrance fee but they must pay a monthly premium in addition to the monthly service fees.

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Financial instruments

NCROC's financial instruments consist of accounts and notes receivable, entrance fees receivable, deposits, accounts payable, accrued expenses, charitable gift annuities and revenue bonds. It is management's opinion that NCROC is not exposed to significant interest rate or credit risk arising from these instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

Charitable gift annuities

NCROC has established a program under which donors may setup charitable gift annuities. Under this program, donors can contribute assets to NCROC and in return receive a guaranteed fixed income for life. NCROC recognizes contribution revenue for the difference between the fair value of the assets received and the annuity liability.

Annuity liabilities are recorded for the required life annuity payments at the present value of expected future cash payments discounted using current interest rates and actuarial assumptions for those annuities that have not been reinsured. The annuity obligations are adjusted each year for changes in the life expectancy of the beneficiaries and are reduced either as payments are made to the donor or as annuities are reinsured. The present value of future payment liabilities of charitable gift annuities was \$144,204 and \$202,484 at December 31, 2013 and 2012, respectively.

Contributions

NCROC accounts for contributions in accordance with the recommendations of the Revenue Recognition Topic of the FASB Accounting Standards Codification. In accordance with this Topic, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions.

Donor-restricted contributions and related gains and investment income are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated services

Significant amounts of time from a number of people have been donated to NCROC. The accompanying financial statements do not reflect the value of those donated services, as no reliable basis exists for reasonably determining the amounts involved.

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Donated property

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the asset must be used, the contribution is recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Note 3 – Tax Status

NCROC has been granted an exemption from federal income tax under the Internal Revenue Code, Section 501(c)(3). This Internal Revenue Code section provides for taxation of certain unrelated business income. Management believes that NCROC has had no significant unrelated business income to date. NCROC is exempt from state income tax under similar provisions of the Franchise Tax Board of the State of California. NCROC believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 4 – Assets Whose Use is Limited

Assets whose use is limited are invested as follows:

	December 31,	
	2013	2012
<u>Funds Held by Trustee</u>		
<i>2002 Bond funds:</i>		
Cash & money market	\$ -	\$ 6,523,000
Corporate bonds/notes	-	100,055
	-	6,623,055
 <i>2005 Bond funds:</i>		
Cash & money market	1,073,417	1,086,008
	1,073,417	1,086,008
 <i>2013 Bond funds:</i>		
Cash & money market	5,996,847	-
	5,996,847	-
 <u>Board Designated Funds</u>		
Cash & money market	465,327	389,278
Government securities	119,615	151,672
Corporate bonds/notes	655,134	523,926
Equities	1,229,179	1,048,223
Mutual funds	128,933	96,169
	2,598,188	2,209,268
 <u>Other Limited Uses</u>		
Cash & money market	1,506,522	1,045,522
Corporate bonds/notes	798,032	94,731
Equities	1,185,710	381,704
	3,490,264	1,521,957
	\$ 13,158,716	\$ 11,440,288

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 4 – Assets Whose Use is Limited (continued)

The use of these assets is restricted as follows:

	December 31,	
	2013	2012
<u>Funds Held by Trustee</u>		
<i>2002 Bond funds:</i>		
Payment of interest	\$ -	\$ 937,654
Payment of principal	-	1,860,012
Reserve funds	-	3,825,389
	-	6,623,055
 <i>2005 Bond funds:</i>		
Interest funds	44,853	46,406
Principal funds	33,333	35,422
Reserve funds	995,231	1,004,180
	1,073,417	1,086,008
 <i>2013 Bond funds:</i>		
Interest funds	652,405	-
Principal funds	1,975,096	-
Reserve funds	3,369,346	-
	5,996,847	-
 <u>Board Designated Funds</u>		
Benevolence funds	285,399	285,399
Capital replacement	2,312,789	1,923,869
	2,598,188	2,209,268
 <u>Other Limited Uses</u>		
Resident Council funds	82,696	96,310
Scholarship funds	45,887	40,194
Benevolence funds	323,139	218,435
Entrance fees	657,575	307,436
Entrance fee refund escrows	1,845,861	350,000
Charitable annuities	535,106	509,582
	3,490,264	1,521,957
	\$ 13,158,716	\$ 11,440,288

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 4 – Assets Whose Use is Limited (continued)

The Board Designated Funds listed above are fully funded and will be used to enhance the lives of NCROC's residents as they provide a safer and more marketable atmosphere.

Expenditures of \$70,298 and \$40,538 were made from the Benevolence funds during the years ended December 31, 2013 and 2012, respectively.

Note 5 – Fair Value of Financial Instruments

NCROC has adopted the requirements of the Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification. This Topic defines fair value and requires enhanced disclosure about assets and liabilities carried at fair value. These additional disclosures are required only for financial assets and liabilities measured at fair value and for nonfinancial assets and liabilities measured at fair value on a recurring basis.

This Topic requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best available information. These assumptions include risks inherent in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model. It also specifies that transaction costs should not be considered in the determination of fair value. According to this Topic, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

This Topic establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy defined by this Topic are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are observable, either directly or indirectly, but are not quoted prices included within Level 1. Level 2 includes those financial instruments that are valued using external inputs with models or other valuation methodologies.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs.

As required by this Topic, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note 5 – Fair Value of Financial Instruments (continued)

The following table shows NCROC's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2013 and 2012:

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2013</u>				
<u>Assets:</u>				
<u>Assets whose use is limited</u>				
Cash and certificates	\$ 9,042,113	\$ 9,042,113	\$ -	\$ -
Government securities	119,615	119,615	-	-
Corporate bonds	1,453,166	1,453,166	-	-
U.S. equity securities	2,414,889	2,414,889	-	-
Growth funds	128,933	128,933	-	-
Total assets whose use is limited	<u>13,158,716</u>	<u>13,158,716</u>	<u>-</u>	<u>-</u>
<u>Investments</u>				
Cash and certificates	2,482,831	2,482,831	-	-
Government securities	1,650,562	1,650,562	-	-
Corporate bonds	9,040,185	9,040,185	-	-
U.S. equity securities	16,961,437	16,961,437	-	-
Growth funds	1,779,143	1,779,143	-	-
Total investments	<u>31,914,158</u>	<u>31,914,158</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 45,072,874</u>	<u>\$ 45,072,874</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Liabilities:</u>				
Charitable gift annuities	<u>\$ 144,204</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,204</u>

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note 5 – Fair Value of Financial Instruments (continued)

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2012</u>				
<u>Assets:</u>				
<u>Assets whose use is limited</u>				
Cash and certificates	\$ 9,043,808	\$ 9,043,808	\$ -	\$ -
Government securities	151,672	151,672	-	-
Corporate bonds	718,712	718,712	-	-
U.S. equity securities	1,429,927	1,429,927	-	-
Growth funds	96,169	96,169	-	-
Total assets whose use is limited	11,440,288	11,440,288	-	-
<u>Investments</u>				
Cash and certificates	1,357,920	1,357,920	-	-
Government securities	1,982,666	1,982,666	-	-
Corporate bonds	6,848,801	6,848,801	-	-
U.S. equity securities	13,702,463	13,702,463	-	-
Growth funds	1,257,132	1,257,132	-	-
Total investments	25,148,982	25,148,982	-	-
Total assets	\$ 36,589,270	\$ 36,589,270	\$ -	\$ -
<u>Liabilities:</u>				
Charitable gift annuities	\$ 202,484	\$ -	\$ -	\$ 202,484

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note 5 – Fair Value of Financial Instruments (continued)

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	Charitable gift annuities
<u>Liabilities:</u>	
January 1, 2012	\$ 228,556
Annuities received	62,415
Payments made to annuitants	(56,296)
Net change in present value of annuities	(32,191)
December 31, 2012	202,484
Annuities received	-
Payments made to annuitants	(58,280)
Net change in present value of annuities	-
December 31, 2013	\$ 144,204

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. The fair value for Level 3 liabilities is determined by calculating the present value of cash flows expected to be paid out, using various discount rates and life expectancy tables.

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 6 – Property and Equipment

A summary of property and equipment is as follows:

	December 31,	
	2013	2012
Land	\$ 9,863,452	\$ 9,863,452
Land improvements	12,026,380	11,709,391
Building and improvements	65,068,385	65,068,385
Furniture and equipment	17,545,231	15,952,109
Vehicles	498,885	451,980
Construction-in-process	892,958	161,082
	105,895,291	103,206,399
Less: accumulated depreciation	(40,506,117)	(37,628,938)
	\$ 65,389,174	\$ 65,577,461

Note 7 – Intangible Assets

Net intangible assets consist of the following:

	December 31,	
	2013	2012
Initial marketing costs	\$ 5,632,780	\$ 5,632,780
Less: accumulated amortization	(5,612,914)	(5,607,370)
	\$ 19,866	\$ 25,410

Future amortization of these marketing costs is as follows:

Years Ending December 31	
2014	\$ 5,544
2015	5,544
2016	5,544
2017	3,234
	\$ 19,866

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note 8 – Deferred Financing Costs

NCROC refinanced its Series 2002 bonds during the year ended December 31, 2013. Costs associated with the issuance of those bonds in the amount of \$1,089,103 were written off during the year ended December 31, 2013. This is included in other expenses on the statement of activities. Costs related to the Series 2013 bonds in the amount of \$1,348,447 were capitalized as of December 31, 2013. Net deferred financing costs consist of the following:

	December 31,	
	2013	2012
Bond issue costs	\$ 2,822,053	\$ 4,440,362
Accumulated amortization	<u>(1,529,904)</u>	<u>(3,179,687)</u>
	<u>\$ 1,292,149</u>	<u>\$ 1,260,675</u>

Future amortization of these financing costs is as follows:

Years Ending December 31	
2014	\$ 179,868
2015	168,210
2016	156,069
2017	143,547
2018	130,546
Thereafter	<u>513,909</u>
	<u>\$ 1,292,149</u>

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note 9 – Revenue Bonds

A summary of revenue bonds is as follows:

	December 31,	
	2013	2012
California Health Facilities Financing Authority Revenue Bonds, Series 2002:		
Interest from 3.25% to 5% payable semi- annually. Beginning January 1, 2004 principal payments due serially to 2014	\$ -	\$ 3,775,000
Fixed interest of 5.125% payable semi- annually. Beginning January 1, 2015 mandatory annual principal sinking fund payments due, final maturity January 2022	-	19,480,000
Fixed interest of 5.25% payable semi- annually. Beginning January 1, 2023 mandatory annual principal sinking fund payments due, maturing January 2026	-	13,105,000
California Health Facilities Financing Authority Revenue Bonds, Series 2005, reoffered in 2008:		
Interest from 2.75% to 5.80% payable semi- annually. Beginning December 1, 2008 principal payments due serially to December 2026	3,925,000	4,350,000
Interest from 2.75% to 6% payable semi- annually. Beginning December 1, 2021 principal payments due serially to December 2030	5,800,000	5,800,000

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note 9 – Revenue Bonds (continued)

	December 31,	
	2013	2012
California Health Facilities Financing Authority Revenue Bonds, Series 2013: Interest from 2.0% to 3.5% payable semi- annually. Beginning January 1, 2014 principal payments due serially to January 2026	\$ <u>32,315,000</u>	\$ <u> -</u>
	42,040,000	46,510,000
Less: unamortized bond premium (discount)	<u>2,740,555</u>	<u>(187,599)</u>
	<u>\$ 44,780,555</u>	<u>\$ 46,322,401</u>

During the year ended December 31, 2013, NCROC refinanced the Series 2002 bonds with the issuance of Series 2013 bonds. The unamortized bond discount related to the Series 2002 bonds in the amount of \$182,507 was written off during the year ended December 31, 2013. The bonds are collateralized by current and future gross revenues of NCROC and all real property. Additionally, NCROC is required to comply with certain debt covenants with respect to additional borrowings, maintenance of insurance, financial reporting and maintenance of certain financial ratios. Also, under the terms of the bonds, NCROC is required to maintain certain deposits with a trustee.

Future principal payments on the bonds are as follows:

	Series 2005	Series 2013
Years Ending December 31,		
2014	\$ 400,000	\$ 1,975,000
2015	475,000	2,020,000
2016	450,000	2,090,000
2017	500,000	2,165,000
2018	475,000	2,240,000
Thereafter	<u>7,425,000</u>	<u>21,825,000</u>
	<u>\$ 9,725,000</u>	<u>\$ 32,315,000</u>

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note 10 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	December 31,	
	2013	2012
Benevolence fund	\$ 170,139	\$ 110,947
Scholarship fund	48,780	44,837
Angels in Paradise	508	508
Health Center fund	8,200	8,200
Specific use fund	10,119	9,965
Worship committee	4,757	-
	\$ 242,503	\$ 174,457

Note 11 – Third Party Payor Revenue

NCROC has agreements to provide care to recipients of the Medicare program. NCROC charges these residents based on normal posted rates, however, reimbursement by the Medicare program is restricted by various reimbursement guidelines. Net revenues include contractual adjustments, which represent the difference between customary charges and actual payments. Net resident revenues from Medicare for the years ended December 31, 2013 and 2012, were \$1,879,677 and \$1,561,622, respectively.

The above Medicare revenues are subject to audit based upon annual cost reports. Upon audit by Medicare intermediaries, there is a possibility of adjustment to revenues.

Note 12 – Investment Income

Investment income consists of the following:

	Years Ended December 31,	
	2013	2012
Interest and dividends	\$ 960,894	\$ 992,613
Net realized gains	579,894	705,592
Net unrealized gains	2,505,235	1,262,029
	\$ 4,046,023	\$ 2,960,234

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 13 – Leases

NCROC leases certain office equipment under operating leases. The terms range from 51 to 60 months, expiring in 2015 and 2016. Lease expense for the years ended December 31, 2013 and 2012 was \$32,565 and \$34,343, respectively. Future minimum lease payments are as follows:

Years Ending December 31	
2014	\$ 29,724
2015	29,724
2016	<u>379</u>
	<u>\$ 59,827</u>

NCROC also leases out certain space within the facility to a bank. The current monthly payment is \$1,426 per month and will increase seven percent per year over the term of the lease, which expires in 2017. The future minimum lease payments due to NCROC are as follows:

Years Ending December 31	
2014	\$ 17,308
2015	18,519
2016	19,816
2017	<u>17,465</u>
	<u>\$ 73,108</u>

In addition, NCROC rents out other space and equipment to a beauty salon on a month-to-month basis. Payments are set at 6% of gross receipts. Total rental income for the years ending December 31, 2013 and 2012, was \$21,457 and \$20,714, respectively.

Note 14 – Defined Contribution Plan

NCROC sponsors a defined contribution retirement plan (the Plan) available to substantially all employees who are at least 18 years old and have been continuously employed by NCROC for at least six months. Participants can make pre-tax contributions up to certain limits while NCROC provides a matching contribution determined annually by the Board. Total administrative costs incurred by NCROC related to the Plan during the years ended December 31, 2013 and 2012, were \$3,836 and \$3,907, respectively. Total matching contributions for the years ending December 31, 2013 and 2012, were \$64,291 and \$38,948, respectively.

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note 15 – Statutory Reserves

NCROC is certified as a Continuing Care Retirement Community (CCRC) by the State of California Department of Social Services. California Code Chapter 10, Article 6, Section 1792 requires CCRCs to establish "liquid reserves" (cash, marketable securities, etc.) equal to, or greater than the annual principal and interest payments on long-term obligations plus 75 days of the CCRC's adjusted operating expenses. NCROC's liquid reserves at December 31, 2013, were sufficient to meet this requirement.

Note 16 – Commitments and Contingencies

NCROC has an agreement with the Haskell Company (Haskell), whereby Haskell will provide management services for NCROC. Management fees charged were \$448,604 and \$440,000 for the years ended December 31, 2013 and 2012, respectively.

While NCROC may be party to legal claims in the ordinary course of business, at December 31, 2013 and 2012, management is unaware of any pending claims for which the ultimate liability would have a material effect on the organization's financial position or results of operations.

Note 17 – Concentrations of Credit Risk

NCROC provides care to residents under the Medicare program. Noridian Healthcare Solutions, LLC is the agency responsible for payment for services to Medicare residents.

NCROC is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations relate to, among other things, matters such as licensure, accreditation, and government health care program participation requirements, regulations regarding reimbursement for patient services and regulations regarding Medicare billing, fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as significant repayments for patient services previously billed. NCROC has implemented a voluntary corporate compliance program which includes guidance for all NCROC employees' adherence to applicable laws and regulations. Management is not aware of any actions or potential actions at December 31, 2013.

NCROC also invests its cash with what it believes to be high quality financial institutions and thus limits credit exposure. At various times during the year and at year-end, NCROC had balances in excess of the coverage under Federal Deposit Insurance Corporation insurance.

In addition, NCROC grants credit to private residents, on an unsecured basis, most of who are local residents.

**NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note 18 – Subsequent Events

Effective January 1, 2014, the management agreement with Haskell was terminated by NCROC.

NCROC did not have any other subsequent events through March 20, 2014, which is the date the financial statements were issued, requiring recording or disclosure in the financial statements for the year ended December 31, 2013.



HANSEN HUNTER & CO. P.C.
Certified Public Accountants

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CONTINUING CARE
CONTRACTS BRANCH

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Northern California Retired Officers Community
dba Paradise Valley Estates
Fairfield, California

We have audited the accompanying continuing care reserve report (the "Reports") of the Northern California Retired Officers Community dba Paradise Valley Estates (the "Company"), as of December 31, 2013. The Reports have been prepared by management using the report preparation provisions of California Health and Safety Code Section 1792.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the Reports in accordance with the requirements of California Health and Safety Code Section 1792; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of Reports that are 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 an audit to obtain reasonable assurance about whether the reports are free of 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 Company'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 of 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 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 present fairly, in all material respects, the liquid reserve requirements of the Company as of December 31, 2013, in conformity with the report preparation provisions of California Health and Safety Code Section 1792.



HANSEN HUNTER & CO. P.C.

Certified Public Accountants

Basis of Accounting

The accompanying Reports were prepared in accordance with the report preparation provisions of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The Reports are not intended to be a complete presentation of the Company's assets, liabilities, revenues and expenses. Our opinion is not modified with respect to this matter.

Restriction on Use

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

Hansen Hunter & Co. P.C.

April 24, 2014

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	434
[2]	Number at end of fiscal year	480
[3]	Total Lines 1 and 2	914
[4]	Multiply Line 3 by ".50" and enter result on Line 5	x.50
[5]	Mean number of continuing care residents	457
All Residents		
[6]	Number at beginning fiscal year	468
[7]	Number at end of fiscal year	496
[8]	Total Lines 6 and 7	964
[9]	Multiply Line 8 by ".50" and enter result on Line 10	x.50
[10]	Mean number of <i>all</i> residents	482
[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).	94.81%

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses	\$27,918,975
[a]	Depreciation	\$2,913,783
[b]	Debt Service (Interest Only)	\$1,776,450
[2]	Subtotal (add Line 1a and 1b)	\$4,690,233
[3]	Subtract Line 2 from Line 1 and enter result	\$23,228,742
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	94.81%
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	\$22,023,170
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$22,023

PROVIDER: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
COMMUNITY: PARADISE VALLEY ESTATES

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

	(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	12/19/02	\$1,840,000	\$1,556,791		\$3,396,791
2	12/16/05	\$425,000	\$556,825		\$981,825
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
		TOTAL:	\$2,113,616		\$4,378,616

(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 RETIRED OFFICERS COMMUNITY

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over Next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1	04/04/2013	\$315,215	\$1,975,000	1	\$1,975,000
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$315,215	\$1,975,000	1	\$1,975,000

(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 RETIRED OFFICERS COMMUNITY

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

Line	TOTAL
1 Total from Form 5-1 bottom of Column (e)	\$4,378,616
2 Total from Form 5-2 bottom of Column (e)	\$1,975,000
3 Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$0
4 TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$6,353,616

PROVIDER: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	<u>\$27,918,975</u>
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	<u>\$2,428,831</u>
b.	Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$0</u>
c.	Depreciation	<u>\$2,913,783</u>
d.	Amortization	<u>\$233,415</u>
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$1,112,682</u>
f.	Extraordinary expenses approved by the Department	<u>\$0</u>
3	Total Deductions	<u>\$6,688,711</u>
4	Net Operating Expenses	<u>\$21,230,264</u>
5	Divide Line 4 by 365 and enter the result.	<u>\$58,165</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	<u>\$4,362,375</u>
PROVIDER:	<u>NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY</u>	
COMMUNITY:	<u>PARADISE VALLEY ESTATES</u>	

FORM 5-4 CALCULATION OF NET OPERATING EXPENSES RECONCILIATION OF LINE 2E

Revenues received during the fiscal year for services to persons who did not have a continuing care contract (Line 2E)	\$ 1,112,682
Revenues received from residents	<u>30,778,954</u>
Cash received from residents per direct method cash flow	\$ <u>31,891,636</u>

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
 Fiscal Year Ended: DECEMBER 31, 2013

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

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year December 31, 2012 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$6,353,616</u>
[2] Operating Expense Reserve Amount	<u>\$4,362,375</u>
[3] Total Liquid Reserve Amount:	<u>\$10,715,991</u>

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

<u>Qualifying Asset Description</u>	<u>Amount</u> (market value at end of quarter)	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$0</u>	<u>\$6,746,731</u>
[5] Investment Securities	<u>\$0</u>	<u>\$9,793,159</u>
[6] Equity Securities	<u>\$0</u>	<u>\$18,740,580</u>
[7] Unused/Available Lines of Credit	<u>\$0</u>	<u>\$0</u>
[8] Unused/Available Letters of Credit	<u>\$0</u>	<u>\$0</u>
[9] Debt Service Reserve	<u>\$7,070,264</u>	<u>\$0</u>
[10] Other: NCROC Board Designated reserve funds (cash and securities)	<u>\$0</u>	<u>\$2,598,188</u>
(describe qualifying asset)		
Total Amount of Qualifying Assets Listed for Reserve Obligation:	[11] align="right"> <u>\$7,070,264</u>	[12] align="right"> <u>\$37,878,658</u>
Reserve Obligation Amount:	[13] align="right"> <u>\$6,353,616</u>	[14] align="right"> <u>\$4,362,375</u>
Surplus/(Deficiency):	[15] align="right"> <u>\$716,648</u>	[16] align="right"> <u>\$33,516,283</u>

Signature: 
 (Authorized Representative)

Date: _____

Jim Mertz, Executive Director
 (Title)

Note 1 to the Continuing Care Reserve Report (Part 5)

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 Organizations' most recent fiscal year end, and the reserve is based on audited financial statements for that period.

PART 6
CONTINUING CARE RETIREMENT COMMUNITY
DISCLOSURE STATEMENT

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>\$2,545 to \$4,676</u>	<u>\$3,620 to \$3,833</u>	<u>\$3,620 to \$3,833</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>2.7%</u>	<u>2.7%</u>	<u>2.7%</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: 1/1/13 for CCRC residents
(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 RETIRED OFFICERS COMMUNITY
COMMUNITY: PARADISE VALLEY ESTATES

FORM 7-1 *Explanations for Adjustments in Monthly Fees*

- Summary of Documents Used in Determining Rate Adjustment

The following documents were used in developing the monthly fee adjustments for 2013:

NCROC Operating Budget for 2013	Internally developed document detailing all revenues and expenses for projected fiscal year 2013. Developed by Paradise Valley Estates Management and Haskell Company, the firm engaged by the NCROC (PVE) Board of Directors to provide management services.
Report on Actuarial Study and Cash Flow Projection for Paradise Valley Estates	Report done in conjunction with the actuarial firm A.V. Powell & Associates. This report contains observations and recommendations about pricing policies to meet reserve requirements that will help ensure the long-term success of Paradise Valley Estates.
Statements of Operations	The current operating results of Paradise Valley Estates during fiscal year 2013. Based on actual performance.

- Details of Rate Adjustment

Unit Type	Configuration	Square Footage	Month Fee @ 1/1/2012	Month Fee @ 1/1/2013
Apt – Traditional	1 Bed 1 Bath	803	\$2,322-2,477	\$2,386-2,545
Apt – Custom	2 Bed 2 Bath	1140	\$2,864-3,057	\$2,943-3,141
Apt – Deluxe	2 Bed 2 Bath	1291	\$3,108-3,315	\$3,193-3,406
Apt – Luxury	2 Bed + Den 2 Bath	1534	\$3,493-3,727	\$3,589-3,829
Apt – Royal	2 Bed + Den 2 Bath	1584	\$3,573-3,813	\$3,671-3,918
Apt – Grande	2 Bed + Den 2 Bath	1846	\$3,995-4,263	\$4,105-4,380
Apt – Grande plus	2 Bed + Den 2 Bath	1870	\$4,033-4,302	\$4,144-4,420
Home – Quadraplex	2 Bed 2 Bath	1340	\$3,186-3,398	\$3,274-3,491
Home – Duplex One	2 Bed + Den 2 Bath	1451	\$3,362-3,587	\$3,454-3,686
Home - Duplex Two	2 Bed + Den 2 Bath	1505	\$3,448-3,678	\$3,543-3,779
Home – Manor	2 Bed + Den 2 Bath	2015	\$4,266-4,551	\$4,383-4,676
Second Person	Variable	Variable	\$1,034-1,105	\$1,062-1,135

FORM 7-1 *Explanations for Adjustments in Monthly Fees*▪ Basis of Monthly Care Fee Adjustment*Methodology for Rate Adjustment*

Paradise Valley Estates ("PVE"), a continuing care retirement community located in Fairfield, California, has been in operations since 1997. PVE reached stabilization in 2001. The budget was based on a mix of operating history and projections. Projected occupancy assumptions, an important factor in setting rate adjustments, were developed using actuarially developed assumptions for morbidity and mortality. The scheduled occupancy, along with other individual factors impact the costs that are used to develop operating expense and revenue projections.

PVE must maintain certain financial ratios according to the covenants mandated by its financing arrangements. These ratios include days cash on hand, current ratio, and debt service coverage ratio. These financial obligations also dictate the continuance of financial health for the community and as such play an important role in the revenue and pricing targets that must be maintained.

In projecting the financial needs of the community, many factors are used, including: vacancy turnover, interest rates, ancillary income, resident health care utilization, density rates, operating expenses, facility staffing, employee benefits, contracts, insurance, inflation, and the experience of Haskell Company, the firm engaged by NCROC to provide management services.

Summary/Overview Rate Adjustment

After review and preparation of analysis, PVE did increase monthly service fees for its Independent Living Units. PVE did increase daily rates for its Health Care Facility – Laurel Creek Health Center. PVE did increase daily rates for its Assisted Living Facility – Laurel Creek Health Center and Quail Creek.

Paradise Valley Estates

H&SC SECTION 1790(a)(2) and (3) DISCLOSURE

▪ Description of all Reserves Maintained

	December 31,	
	2013	2012
<u>Funds Held by Trustee</u>		
<i>2002 Bond funds:</i>		
Payment of interest	\$ -	\$ 937,654
Payment of principal	-	1,860,012
Reserve funds	-	3,825,389
	<u>-</u>	<u>6,623,055</u>
<i>2005 Bond funds:</i>		
Interest funds	44,853	46,406
Principal funds	33,333	35,422
Reserve funds	995,231	1,004,180
	<u>1,073,417</u>	<u>1,086,008</u>
<i>2013 Bond funds:</i>		
Interest funds	652,405	-
Principal funds	1,975,096	-
Reserve funds	3,369,346	-
	<u>5,996,847</u>	<u>-</u>
<u>Board Designated Funds</u>		
Benevolence funds	285,399	285,399
Capital replacement	2,312,789	1,923,869
	<u>2,598,188</u>	<u>2,209,268</u>
<u>Other Limited Use Funds</u>		
Resident Council funds	82,696	96,310
Scholarship funds	45,887	40,194
Benevolence funds	323,139	218,435
Entrance fees	657,575	307,436
Entrance fee refund escrows	1,845,861	350,000
Charitable annuities	535,106	509,582
	<u>3,490,264</u>	<u>1,521,957</u>
	<u>\$ 13,158,716</u>	<u>\$ 11,440,288</u>

Status: These funds are fully funded.

▪ Funds Accumulated for Specific Projects or Purposes

- The benevolence funds will be used to provide resident assistance
- The capital replacement funds are set aside to future capital additions
- The resident council funds are set aside to be used by the residents
- The scholarship funds are set aside for employee education
- The entrance fee refund escrows are set aside for possible refunds
- Charitable gift annuities fund is set aside for payment of gift annuities

Paradise Valley Estates

H&SC SECTION 1790(a)(2) and (3) DISCLOSURE (continued)

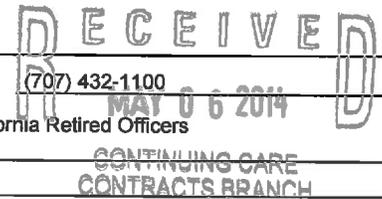
▪ Per Capita Cost of Operations

Total operating Expenses (Form 5-4, Line 1)	\$	27,918,975
Mean number of all residents (Form 1-1 Line 10)		<u>482</u>
	\$	<u>57,923</u>

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

Date Prepared: 4/21/2014

FACILITY NAME: Paradise Valley Estates
 ADDRESS: 2600 Estates Drive, Fairfield, California ZIP CODE: 94533 PHONE: (707) 432-1100
 PROVIDER NAME: Northern California Retired Officers Community FACILITY OPERATOR: Northern California Retired Officers Community
 RELATED FACILITIES: None RELIGIOUS AFFILIATION: None
 YEAR OPENED: 1997 # OF ACRES: 68 SINGLE STORY MULTI-STORY OTHER: Both
 MILES TO SHOPPING CTR: 4 MILES TO HOSPITAL: 5.6



NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS - STUDIO: <u>0</u>	ASSISTED LIVING: <u>68</u>
APARTMENTS - 1 BDRM: <u>18</u>	SKILLED NURSING: <u>60</u>
APARTMENTS - 2 BDRM: <u>105</u>	SPECIAL CARE: <u>0</u>
COTTAGES/HOUSES: <u>204</u>	DESCRIBE SPECIAL CARE: _____

RLU OCCUPANCY (%) AT YEAR END: 85%

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

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

REFUND PROVISIONS (Check all that apply): 90% 75% 50% PRORATED TO 0% OTHER: 95%

RANGE OF ENTRANCE FEES: \$158,000 TO \$742,900 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Yes

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: _____ OTHER: _____

RESIDENT REPRESENTATIVE @ THE BOARD (briefly describe their involvement): The Resident Council's president, and guest, is invited to attend each Paradise Valley Estates Board meeting.

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 (4 TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (1/DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input checked="" 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 checked="" type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL - INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL - OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION -PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input checked="" 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>BOCC! BALL</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

PROVIDER NAME: Northern California Retired Officers Community

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	\$ 22,411,201	\$ 21,165,618	\$ 22,031,403	\$ 24,910,591
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	19,678,364	19,873,414	20,003,203	22,995,327
NET INCOME (LOSS) FROM OPERATIONS	<u>2,732,837</u>	<u>1,292,204</u>	<u>2,028,200</u>	<u>1,915,264</u>
LESS INTEREST EXPENSE	<u>2,639,623</u>	<u>2,551,886</u>	<u>2,457,744</u>	<u>1,776,450</u>
PLUS CONTRIBUTIONS	<u>69,326</u>	<u>43,961</u>	<u>194,962</u>	<u>160,590</u>
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	\$ <u>162,540</u>	\$ <u>(1,215,721)</u>	\$ <u>(234,582)</u>	\$ <u>299,404</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	\$ <u>6,629,476</u>	\$ <u>6,876,730</u>	\$ <u>4,950,239</u>	\$ <u>11,925,996</u>

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CAL MORTGAGE	\$9,725,000	4.38%	12/16/05	12/16/30	25 YEARS
CAL MORTGAGE	\$32,315,000	2.00%	04/04/13	01/01/26	12 YEARS

FINANCIAL RATIOS (see next page for ratio formulas)

	CCAC Medians 50 th Percentile (optional)	2011	2012	2013
DEBT TO ASSET RATIO	[]	42	40	34
OPERATING RATIO	[]	109	112	109
DEBT SERVICE COVERAGE RATIO	[]	1.74	1.25	2.32
DAYS CASH-ON-HAND RATIO	[]	499	510	579

HISTORICAL MONTHLY SERVICE FEES

AVERAGE FEE AND PERCENT CHANGE

	2010	%	2011	%	2012	%	2013
STUDIO	N/A	0	N/A	0	N/A		N/A
ONE BEDROOM	\$2,271	2.9	\$2,336	2.7	\$2,400	2.8	\$2,466
TWO BEDROOM	\$3,436	2.8	\$3,531	2.8	\$3,629	2.7	\$3,728
COTTAGE/HOUSE	\$3,488	2.8	\$3,586	2.8	\$3,685	2.7	\$3,786
ASSISTED LIVING	\$3,452	2.7	\$3,544	2.6	\$3,653	2.5	\$3,726
SKILLED NURSING	\$3,452	2.7	\$3,544	2.6	\$3,653	2.5	\$3,726
SPECIAL CARE	\$3,452	2.7	\$3,544	2.6	\$3,653	2.5	\$3,726

COMMENTS FROM PROVIDER: SECOND PERSON FEES FOR CCRC: 2010 - \$1,013 + 2.5%;

2011 - \$1,041 + 2.8%; 2012 - \$1,070 + 2.75%; 2013 - \$1,099 + 2.7%

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

Debt Service Coverage Ratio

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

DAYS CASH ON HAND RATIO

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

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
NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
dba PARADISE VALLEY ESTATES

Date Prepared: 4/21/2014

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

Ann S. Metz
 Chief Executive Officer/Signature

	Forecast							Indicator	
	2008	2009	2010	2011	2012	2013	2014		
OPERATIONAL STATISTICS									
1. Average Annual Occupancy by Site (%)	95	88	86	84	82	82	86	90	92
MARGIN (PROFITABILITY) INDICATORS									
2. Net Operating Margin (%)	-2%	-4%	-3%	-2%	-5%	-10%	2%	3%	3.5%
3. Net Operating Margin -- Adjusted (%)	20%	7%	24%	25%	17%	30%	23%	29%	30%
LIQUIDITY INDICATORS									
4. Unrestricted Cash and Investments (\$000)	24,284	25,592	27,179	28,662	29,126	35,280	41,000	49,000	53,000
5. Days Cash on Hand (Unrestricted)	427	446	491	499	510	579	705	705	705
CAPITAL STRUCTURE INDICATORS									
6. Deferred Revenue from Entrance Fees (\$000)	7,115	6,503	7,163	6,851	6,856	6,030	6,500	7,000	7,250
7. Net Annual E/F proceeds (\$000)	5,449	2,089	6,629	6,877	4,950	11,926	11,550	9,500	8,500
8. Unrestricted Net Assets (\$000)	(3,900)	1,220	5,725	8,407	11,845	14,959	18,000	18,000	18,000
9. Annual Capital Asset Expenditure (\$000)	1,079	860	2,233	3,298	1,404	2,729	3,249	3,249	3,249
10. Annual Debt Service Coverage Revenue Basis (x)	(1.41)	(.11)	.03	.29	.18	(.12)	.28	.40	.45
11. Annual Debt Service Coverage (x)	1.36	.33	1.45	1.74	1.25	2.32	2.56	2.50	2.50
12. Annual Debt Service/Revenue (%)	.23	.15	.16	.17	.16	.13	.13	.18	.20
13. Average Annual Effective Interest Rate (%)	5.09%	5.21%	5.27%	5.30%	5.35%	5.78%	2.42%	4.10%	3.35%
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	46%	50%	56%	62%	66%	89%	111%	127%	135%
15. Average Age of Facility (years)	9.9	10.8	12.3	12.4	13.0	13.9	13.0	11.5	11.0

Preferred Trend
 062

OUTSTANDING CASES
 CONTRACTS IN PROGRESS

RECEIVED

MAY 06 2014

CONTINUING CARE
CONTRACTS BRANCH

**FORM 9-1
CALCULATION OF REFUND RESERVE AMOUNT**

[1] Resident Name	[2] Sex	[3] Entrance Fee	[4] Refund %	[5] Refund Amount (promised after 6 years)	[6] Age	[7] Life Exp.	[8] Present Value Multiplier	[9] Present Value of Refund
Coghill, W.	F	264,832	50	132,416	91	4.501	6%	101,868
Jacobs, H.	F	522,900	50	261,450	87	6.054	6%	183,733
Sanders, B.	F	386,300	50	193,150	92	4.175	6%	151,441
Haddock, S.	F	383,040	50	191,520	86	6.494	6%	131,183
Weeks, D.	F	586,028	50	293,014	85	6.956	6%	195,371
Williamson, T.	F	365,600	50	182,800	78	10.779	6%	97,545
Cruse-Rivard, M.	F	365,600	50	182,800	63	20.253	6%	56,164
Biederman, J.	F	588,439	95	559,017	90	4.838	6%	421,692
Eyres, W.	F	267,128	95	253,772	95	3.329	6%	209,026
Fei, R.	M	677,565	95	643,687	90	3.957	6%	511,139
Fierzheim, H.A.	F	718,830	95	682,889	85	6.956	6%	455,326
Hennings, E.	F	438,692	95	416,757	94	3.579	6%	338,309
Nelson, P.	F	571,280	95	542,716	81	9.060	6%	320,112
Smith, Allan	M	644,200	95	611,990	82	6.719	6%	413,727
Coor, L.	F	383,900	95	364,705	82	8.501	6%	222,237
Schechter, K.	F	562,500	95	534,375	83	7.952	6%	336,213
Frantz, J.	F	728,500	95	692,075	82	8.501	6%	421,724
Martin, J.	F	587,200	95	557,840	81	9.060	6%	329,032
TOTAL AMOUNT REQUIRED FOR RESERVE:								4,895,841

Total Required Reserve: 4,895,841

Initial 2012 Funding (3% Minimum Required per agreement with DSS): 350,000
 Subsequent Funding 2013: 1,000,000
 Subsequent Funding 2014:
 Subsequent Funding 2015:
 Subsequent Funding 2016:
 Subsequent 2017 Funding (to attain 100% of Requirement per agreement with DSS):

Total Required Escrow Balance for Refundable Contracts as of 12/31/2013: 1,350,000
 Total Escrow Balance for Refundable Contracts as of 12/31/2013: 1,845,861
 Unfunded Reserves as of 12/31/2013: 3,049,980

Provider: Northern California Retired Officers Community
 Community: Paradise Valley Estates