ANNUAL REPORT CHECKLIST

for

FISCAL YEAR ENDED: 6/30/2014

RECEIVED
OCT 31 2014
CONTINUING CARE CONTRACTS BRANCH

PROVIDER: 899 CHARLESTON

FACILITY(IES): MOLDAW RESIDENCES

CONTACT PERSON: TERRY SCOTT

TELEPHONE NO.: (415) 562-2681

✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓

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

✓ This cover sheet.

✓ Annual Provider Fee in the amount of: $ $12,201

- ✓ If applicable, late fee in the amount of: $ 0

✓ Certification by the provider's chief *executive* officer that:
- ✓ The reports are correct to the best of his/her knowledge.
- ✓ Each continuing care contract form in use or offered to new residents has been approved by the Department.
- ✓ The provider is maintaining the required *liquid reserve* and refund reserve, if applicable.

✓ Evidence of the provider's fidelity bond.

✓ The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.

✓ The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.

✓ The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community. (4 copies total)

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

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	182
[2]	Number at end of fiscal year	218
[3]	Total Lines 1 and 2	400
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	200
	All Residents	
[6]	Number at beginning of fiscal year	194
[7]	Number at end of fiscal year	233
[8]	Total Lines 6 and 7	427
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	214
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.94

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$17,692,382
[a]	Depreciation	$4,078,399	
[b]	Debt Service (Interest Only)	$589,569	
[2]	Subtotal (add Line 1a and 1b)		$4,667,968
[3]	Subtract Line 2 from Line 1 and enter result.		$13,024,414
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		94%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$12,200,856
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$12,201

PROVIDER: 899 Charleston DBA: Moldaw Family Residences FYE 6/30/14
COMMUNITY: Moldaw Family Residences

MOLDAW RESIDENCES

INSPIRED RETIREMENT LIVING

Taube Koret Campus for Jewish Life

Jewish Senior Living Group

RECEIVED
OCT 31 2014
CONTINUING CARE
CONTRACTS BRANCH

October 29, 2014

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

RE: 899 Charleston DBA: Moldaw Family Residences

Dear Sir/Madam,

This is to certify the following:

The annual report and disclosure statement are correct to the best of my knowledge.

The continuing care contracts that are in use and offered to new residents have been approved by the Department.

We are maintaining the required liquid reserve.

Sincerely,

George Pillari
Chief Executive Officer

ACORD CERTIFICATE OF PROPERTY INSURANCE

DATE
10/30/2014

PRODUCER
License #0757776
HUB Int'l Insurance Serv. Inc
3000 Executive Parkway Suite
San Ramon CA 94583

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

COMPANY A Philadelphia Insurance Co.
COMPANY B
COMPANY C
COMPANY D

RECEIVED
OCT 31 2014
CONTINUING CARE CONTRACTS BRANCH

INSURED
899 Charleston dba: Moldaw Family Residences
@ 899 Charleston
899 East Charleston Rd
Palo Alto CA 94303

COVERAGES

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.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	COVERED PROPERTY	LIMITS
	PROPERTY				BUILDING	$
	CAUSES OF LOSS				PERSONAL PROPERTY	$
	BASIC				BUSINESS INCOME	$
	BROAD				EXTRA EXPENSE	$
	SPECIAL				BLANKET BUILDING	$
	EARTHQUAKE				BLANKET PERS PROP	$
	FLOOD				BLANKET BLDG & PP	$
						$
						$
	INLAND MARINE					$
	TYPE OF POLICY					$
						$
	CAUSES OF LOSS					$
	NAMED PERILS					$
	OTHER					$
	X CRIME	PHSD960441	07/15/2014	07/01/2015	See attached	$ See attached
	TYPE OF POLICY					$
						$
	BOILER & MACHINERY					$
						$
	OTHER					

LOCATION OF PREMISES/DESCRIPTION OF PROPERTY

SPECIAL CONDITIONS/OTHER COVERAGES

CERTIFICATE HOLDER

For Insurance Purposes Only

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL ______ DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

PHILADELPHIA INSURANCE COMPANIES
A Member of the Tokio Marine Group

One Bala Plaza, Suite 100
Bala Cynwyd, Pennsylvania 19004
610.617.7900 Fax 610.617.7940
PHLY.com

Philadelphia Indemnity Insurance Company

CRIME PROTECTION PLUS DECLARATIONS

Policy Number: PHSD960441

In return for the payment of the premium, and subject to all the terms of this Policy, we agree with you to provide the insurance stated in this Policy.

DECLARATIONS

ITEM

1. Named Insured: 899 CHARLESTON (Moldaw Residences)
   302 Silver Ave
2. Mailing Address: San Francisco, CA 94112-1510

3. Policy Period: from 07/15/2014 to 07/01/2015
   (12:01 A.M. Standard Time at Your Mailing Address)

4. Coverages, Limits of Insurance and Deductibles:

☒ Loss Sustained Option ☐ Discovery Option
(If no box is checked, the Loss Sustained Option shall apply)

Insuring Agreements, Limit of Insurance and Deductible Amounts shown below are subject to all of the terms of this policy that apply.

Insuring Agreements Forming Part of This Policy	Limit of Insurance	Deductible Amount
A1. EMPLOYEE THEFT AND CLIENT COVERAGE	$ 500,000	$ 5,000
A2. ERISA FIDELITY	$ 500,000	$ NIL
B. FORGERY OR ALTERATION, including Credit, Debit, or Charge Card Extension ($25,000 limit)	$ 500,000	$ 5,000
C. INSIDE THE PREMISES	$ 50,000	$ 2,500
D. OUTSIDE THE PREMISES	$ 50,000	$ 2,500
E. MONEY ORDERS AND COUNTERFEIT PAPER CURRENCY	$ 50,000	$ 2,500
F. COMPUTER FRAUD AND FUNDS TRANSFER FRAUD	$ 500,000	$ 5,000

5. Form Numbers of Endorsements Forming Part of This Policy When Issued: SEE SCHEDULE
6. Cancellation of Prior Insurance: By acceptance of this Policy, you give us notice canceling prior policies or bonds numbered: n/a ____________________ the cancellations to be effective at the time this policy becomes effective.

This Policy has been signed by the Company's President and Secretary.

RECEIVED
OCT 31 2014
CONTINUING CARE
CONTRACTS BRANCH

Report of Independent Auditors and
Financial Statements

899 Charleston
(dba Moldaw Residences)

June 30, 2014

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

CONTENTS

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

www.mossadams.com

REPORT OF INDEPENDENT AUDITORS

To the Audit Commitee
899 Charleston (dba Moldaw Residences)

Report on Financial Statements

We have audited the accompanying financial statements of 899 Charleston dba Moldaw Residences (the "Organization"), which comprise the statement of financial position as of June 30, 2014 and the related statement of activities and changes in net assets (deficit), and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 899 Charleston dba Moldaw Residences as of June 30, 2014 and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Francisco, California
October 7, 2014

 Praxity MEMBER • GLOBAL ALLIANCE OF INDEPENDENT FIRMS

FINANCIAL STATEMENTS

899 CHARLESTON DBA MOLDAW RESIDENCES
STATEMENT OF FINANCIAL POSITION
June 30, 2014

CURRENT ASSETS		
Cash and cash equivalents	$	821,760
Assets limited as to use (Note 4)		13,115,321
Accounts receivable		82,223
Notes receivable		2,020,066
Pledge receivables, net		371,215
Prepaid expense and other current assets		600,800
Other receivables		88,495
Total current assets		17,099,880
ASSETS LIMITED AS TO USE, net of current portion		8,978,388
PLEDGE RECEIVABLES, NET, less current portion		127,928
PROPERTY AND EQUIPMENT, NET		128,109,663
BOND ISSUANCE COSTS, NET		280,336
BENEFICIAL INTEREST IN JEWISH HOME & SENIOR LIVING FOUNDATION		5,574,736
DEFERRED MARKETING COSTS, NET		1,744,159
Total assets	$	161,915,090

See accompanying notes.

CURRENT LIABILITIES		
Accounts payable	$	709,348
Accrued liabilities		242,594
Deferred monthly fees and other liabilities		74,619
Refundable deposits		1,449,665
Refundable entrance fees		633,600
Current portion of loans payable		1,891,000
Current portion of bonds payable		7,712,000
Total current liabilities		12,712,826
LOANS PAYABLE, NET OF CURRENT PORTION		20,745,445
BONDS PAYABLE, NET OF CURRENT PORTION		53,418,000
REFUNDABLE ENTRANCE FEES, net of current portion		95,411,720
DEFERRED REVENUE FROM ENTRANCE FEES		11,566,595
Total liabilities		193,854,586
COMMITMENTS AND CONTINGENCIES (Note 17)		
NET ASSETS (DEFICIT)		
Unrestricted		(38,408,913)
Temporarily restricted		2,348,935
Permanently restricted		4,120,482
Total net deficit		(31,939,496)
Total liabilities and net deficit	$	161,915,090

See accompanying notes.

STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN UNRESTRICTED NET ASSETS (DEFICIT)

Year Ended June 30, 2014

OPERATING REVENUES AND SUPPORT		
Revenues		
Resident fees	$	8,669,200
Amortization of entrance fees		2,166,354
Fees for services and other income		414,642
Interest income		2,343
Total revenues and gains		11,252,539
Support		
Unrestricted contributions		143
Total operating revenues and support		11,252,682
EXPENSES		
Depreciation and amortization		4,919,405
Marketing and advertising		2,493,350
Dining services		2,419,162
Line of credit and remarketing fees		1,428,834
Plant operations		1,487,545
General and administrative		1,712,719
Activities and resident services		1,095,554
Memory support and assisted living services		1,177,426
Interest expense		589,569
Housekeeping		353,405
Fundraising		15,413
Total expenses		17,692,382
CHANGE IN UNRESTRICTED NET DEFICIT FROM OPERATIONS BEFORE OTHER EXPENSE AND OTHER CHANGES IN NET DEFICIT		(6,439,700)
OTHER EXPENSE		
Debt restructuring fees		(478,448)
Total other expense		(478,448)
OTHER CHANGES IN NET DEFICIT		
Net assets released from restrictions - satisfaction of purpose		1,302
Net assets released from restrictions - satisfaction of time		508,680
Total other changes in net assets		509,982
CHANGE IN UNRESTRICTED NET DEFICIT		(6,408,166)
UNRESTRICTED NET DEFICIT, beginning of year		(32,000,747)
UNRESTRICTED NET DEFICIT, end of year	$	(38,408,913)

See accompanying notes.

UNRESTRICTED NET DEFICIT		
Change in unrestricted net deficit from operations	$	(6,918,148)
Net assets released from restrictions - satisfaction of purpose		1,302
Net assets released from restrictions - satisfaction of time		508,680
Change in unrestricted net deficit		(6,408,166)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions		47,028
Bad debt expense related to restricted contributions		120,501
Net assets released from restrictions - satisfaction of purpose		(1,302)
Net assets released from restrictions - satisfaction of time		(508,680)
Change in beneficial interest in Jewish Home & Senior Living Foundation		673,446
Increase in temporarily restricted net assets		330,993
PERMANENTLY RESTRICTED NET ASSETS		
Contributions		275,000
Increase in permanently restricted net assets		275,000
CHANGE IN NET DEFICIT		(5,802,173)
NET DEFICIT, beginning of year		(26,137,323)
NET DEFICIT, end of year	$	(31,939,496)

See accompanying notes.

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from resident fees	$ 8,688,486
Cash received from entrance fees	1,152,918
Cash received from services and other income	434,063
Interest income received	2,343
Cash received from contributions	143
Cash paid for interest on long-term debt	(86,087)
Cash paid for line of credit and remarketing fees	(1,375,074)
Cash paid to suppliers, employees and others	(10,537,309)
Cash paid for debt restructuring fees	(478,448)
Net cash used in operating activities	(2,198,965)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(595,977)
Decrease in assests limited as to use	6,242,933
Decrease in refundable deposits	209,615
Increase in other receivables	(25)
Increase in beneficial interest in Jewish Home and Senior Living Foundation	(275,000)
Net provided by investing activities	5,581,546
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments of bond principal	(21,700,000)
Payments of loan principal	(5,343,868)
Proceeds from restricted contributions	1,293
Proceeds from capital campaign contributions	393,477
Entrance fees received	28,325,485
Entrance fees refunded	(5,609,587)
Net cash used in financing activities	(3,933,200)
NET DECREASE IN CASH	(550,619)
CASH AND CASH EQUIVALENTS, beginning of year	1,372,379
CASH AND CASH EQUIVALENTS, end of year	$ 821,760

See accompanying notes.

RECONCILIATION OF CHANGE IN NET DEFICIT TO CASH FROM OPERATING ACTIVITIES		
Change in net deficit	$	(5,802,173)
Adjustments to reconcile change in net deficit to net cash used in operating activites		
Amortization of entrance fees		(2,166,354)
Amortization of deferred marketing costs		332,221
Amortization of bond issuance costs		841,006
Amortization of loan discount		508,680
Depreciation and amortization		4,078,399
Contributions restricted for a specific purpose		(1,293)
Contributions restricted for capital campaign, net		(383,620)
Change in beneficial interest in Jewish Home & Senior Living Foundation		(673,446)
Changes in operating assets and liabilities		
Increase in accounts receivable		(34,932)
Decrease in prepaid expenses and other current assets		20,106
Decrease in other receivables		564
Decrease in accounts payable		(176,185)
Increase in accrued liabilities, deferred monthly fees and other liabilities		105,144
Entrance fees received		1,152,918
Net cash used in operating activities	$	(2,198,965)
Interest paid	$	86,087

See accompanying notes.

NOTE 1 – NATURE OF ACTIVITIES

899 Charleston dba Moldaw Residences (the "Organization") was established on March 30, 2006, as a nonprofit public benefit corporation in the State of California. The specific and primary purposes of the Organization are: (1) to provide residential facilities which are specifically designated to meet a combination of physical, emotional, recreation, social and similar needs of aged persons; (2) to maintain arrangements with organizations, facilities, and/or health personnel to address the well-being of the residents; and (3) to adopt policies and procedures designed to address the need of the residents for protection against financial risks associated with the later years of life.

In 2007, 899 Charleston, LLC (the "LLC") was formed in order to facilitate the bond financing transaction for the 899 Charleston project (the "Project"). The Project included the construction of 193 continuing care retirement community units in Palo Alto, California, which became part of the network of living options, services, and care associated with the Hebrew Home for Aged Disabled (the "Home"). The LLC's rights and obligations under the bond and the Project were assigned to the Organization after it was recognized by the Internal Revenue Service as a tax-exempt organization. In an agreement with the City of Palo Alto, the Project provides a Below-Market Rate ("BMR") Program which includes, among other services, providing 24 housing units, 12 assisted living units and 12 independent living units, at entry fee levels that comply with the income and affordability standards prescribed by the BMR Program for 59 years. The Project also established a $5 million endowment for financial need with the stipulation that the income be restricted exclusively for the support of Jewish residents of 899 Charleston or accepted applicants who cannot afford a portion of either the entry fee or the continuing monthly costs.

Current economic conditions and liquidity – The past economic climate presented challenges to senior service providers, which in some cases has resulted in unanticipated declines in the fair values of investments and other assets, declines in occupancy, constraints on liquidity and difficulty obtaining financing. These conditions have affected the rate at which the Organization's residents fulfill or renew existing lease agreements and have affected the Organization's ability to fill unoccupied space, which have had an adverse impact on the Organization's operating results. The financial statements have been prepared using values and information currently available to the Organization.

Given the current economic conditions, the values of assets and liabilities recorded in the financial statements could change, resulting in potential future adjustments in investment values, real estate values and allowances for accounts and notes receivable that could impact the Organization's ability to meet debt covenants or maintain sufficient liquidity.

In October 2009, the construction of the facility was completed and the Organization commenced operations. As of June 30, 2014, 161 out of 170 available units are occupied. Additionally, as of June 30, 2014, 11 out of 12 assisted living units are occupied and all of the 11 memory support units are occupied. As discussed further in Note 8, under the original terms of the tax-exempt bond financing, the proceeds are to be used to cover construction of the facility and debt service. In addition, under the original terms of the letter of credit and reimbursement agreement, the Organization was required to deposit the capital campaign contributions and entrance fees to pay down the short term portion of the principal on the bonds.

On June 30, 2011, the Organization entered into an amended and restated letter of credit and reimbursement agreement with the lender group which renegotiated the terms of the bonds (Notes 8 and 9). The revised restructuring agreement allocates funds from the Capital Campaign Fund in order to fund deficits in the operations until breakeven and restructured the redemption terms of bonds. Because of the restructuring terms and change in marketing plans, the Organization believes it will meet its obligations under the restated and amended letter of credit, will have sufficient cash from collections on campaign pledges and entrance fees to cover operational cash shortfalls through to stable occupancy as allowed by the restructured terms of bonds described in Note 9 and will meet the occupancy and cumulative cash net loss/income set covenants set forth in the agreement.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of presentation – The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent unrestricted resources available to support the Organization's operations and temporarily restricted resources which became available for use by the Organization in accordance with the intentions of the donors.

Temporarily restricted net assets represent contributions that are limited in use by the Organization in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of the Organization according to the terms of the contribution. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets. If a restriction is fulfilled in the same fiscal year in which the contribution is received, the Organization classifies the support as unrestricted. Also included in the temporarily restricted net assets are earnings on the permanently restricted endowment which have not yet been appropriated for use.

Permanently restricted net assets represent contributions to be held as investments in perpetuity as directed by the original donor. The income from these contributions is primarily available to support the activities of the Organization as directed by the donors (Note 12).

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include deferred revenue from entrance fees, recoverability of deferral costs and long lived assets, allowance and discounts on pledges receivable and fair value of the interest rate swap. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less, with the exception of cash and cash equivalents held as investments or whose use is limited or designated.

Contributions and promises to give – Contributions which may include unconditional promises to give (pledges) are recognized at fair value as revenues in the period received or unconditionally pledged. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Promises to give are recorded at net realizable value if expected to be collected in one year and at the present value of their estimated future cash flows if expected to be collected in more than one year.

The discounts on these receivables are computed using risk-adjusted rates applicable in the years in which these promises are received (1.71% – 3.80%). Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend have been substantially met and the promises become unconditional. Conditional promises to give of approximately $500,000, as of June 30, 2014, have not been recorded as the conditions established by the donor have not been met.

The Organization uses the allowance method to determine uncollectible pledge receivables. The allowance is based on management's analysis of specific promises made.

Contributed services – The Organization recognizes contributed services at their fair value if the services have value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided. During June 30, 2014, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Bond issuance costs – Bond issuance costs are deferred and amortized using the effective interest method over the term of the bond liability. Amortization expense for the year ended June 30, 2014 was $841,006.

Property and equipment – Property and equipment are recorded at cost. Routine maintenance and repairs are charged to expense as incurred. Depreciation is calculated using the straight-line method over the following useful lives:

Buildings and building equipment	10 to 40 years
Land improvements	15 years
Personal property	3 to 10 years

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Accounting for impairment of long-lived assets – The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management determined that no impairment occurred to the long-lived assets as of June 30, 2014.

Revenue recognition – Resident fees are recognized in the month in which they are earned and collectability is reasonably assured. Other revenue is recognized as the related services are provided and includes clinic revenue and other miscellaneous income.

Interest in Jewish Home & Senior Living Foundation – The Organization follows the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 958, *Not-for-Profit Entities* in recording transactions in which an entity (the donor) makes a contribution by transferring assets to a not-for-profit organization or charitable trust (the recipient organization i.e. the Jewish Home & Senior Living Foundation (the "Foundation")). The Foundation accepts the assets from the donor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both to another entity (the beneficiary, i.e. the Organization) that is specified by the donor. The recipient organization (the Foundation) recognizes the fair value of those assets as a liability to the specified beneficiary (the Organization) concurrent with recognition of the assets received from the donor. The Organization recognizes an asset, Beneficial Interest in Jewish Home & Senior Living Foundation, with a corresponding change in beneficial interest in the net assets of the recipient organization.

The beneficial interest with the Foundation is placed in certain investments that are exposed to various risks, such as changes in interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to the changes in the value of investment securities, it is possible that the value of the Foundation's investments and net asset balance could fluctuate materially.

Deferred marketing costs – Costs incurred in connection with acquiring initial continuing-care contracts are deferred and amortized on a straight-line basis over the average remaining lives of the residents under the contract or the contract term, whichever is shorter. For the year ended June 30, 2014, amortization expense included in marketing and advertising expense was $332,221.

Continuing care contracts – The Organization 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. The Organization is obligated to provide residency, care and services to residents.

Entrance fees are one-time payments made by residents of the continuing care facilities that, in addition to monthly fees, provide for living accommodations. The non-refundable portion of the fees 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 amortization is adjusted annually using the life expectancy table published in the California Continuing Care Contract Statutes.

Refundable entrance fees are primarily non-interest bearing, and depending on the type of contract, can range from 0% to 90% of the total entrance fees. Refundable entrance fees are returned to the resident or the resident's estate depending on the form of the agreement either upon re-occupancy or termination of the care agreement. As of June 30, 2014, the Organization is obligated to refund $96,045,320 in entrance fees.

The Organization annually evaluates the need to accrue a liability for losses related to the obligation to provide future services under continuing care contracts. A loss is 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 the deferred revenue from entrance fees. The obligation is equal to the present value of the estimated cost of providing care in excess of the estimated periodic fees to be received from residents over the residents' life expectancies plus depreciation of the facilities used by residents. The obligation assumes a future increase in the monthly revenue commensurate with the monthly costs. For the year ended June 30, 2014 the interest rate that was used to discount the cost of providing lifetime services in excess of resident fees was 4% and the inflation rate used in estimating operating costs was 2.5%. For the year ended June 30, 2014, the calculation of the obligation resulted in an expected positive net present value cash flow and, as such, no liability was recorded.

Fair value measurements – The Organization follows FASB ASC Topic 820 for fair value measurements. Assets and liabilities measured at fair value on a recurring basis are classified in one of the following fair value hierarchy levels, based on the lowest level input that is significant to the fair value measurement in its entirety:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not considered to be active for identical or similar assets or liabilities, quoted prices in active markets of similar assets or liabilities, and inputs other than quoted prices that are observable or can be corroborated by observable market data.

Level 3 – Inputs that are both significant to the fair value measurement and unobservable, including inputs that are not derived from market data or cannot be corroborated by observable market data.

Marketing and advertising expenses – The Organization expenses most marketing and advertising expenses as they are incurred, except for direct-response advertising which is deferred. Direct-response advertising and marketing expenses consist primarily of acquisition of initial continuing care contracts and were recorded as part of "Deferred Continuing Care Contract Costs" in the statement of financial position. Advertising expense for the year ended June 30, 2014 amounted to $2,493,350.

Income taxes – The Organization is exempt from federal and California state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and by the Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code.

U.S. GAAP requires the Organization to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the applicable tax authority. The Organization has reviewed its tax positions for all open tax years and believes that it has appropriate support for the tax positions taken. Therefore, no liability has been recorded.

The Organization files United States federal and California tax returns. The Organization is no longer subject to federal tax examinations before 2010 or California tax examinations before 2009.

Performance indicator – The performance indicator reported in the statement of revenues, expenses and other changes in unrestricted net assets (deficit) is captioned as "change in unrestricted net deficit." Changes in unrestricted net deficit which are excluded from the performance indicator include funds released from restriction to purchase assets, and change in beneficial interest in Jewish Home & Senior Living Foundation.

Recent Accounting pronouncements – In July 2012, the FASB issued Accounting Standard Update ("ASU") No. 2012-01 "Health Care Entities (Topic 954): Continuing Care Retirement Communities-Refundable Advance Fees (An amendment of the FASB Accounting Standards Codification)" ("ASU No. 2012-01") to clarify accounting standards regarding certain refundable advance fee contracts issued by continuing care retirement communities. Accounting standards generally provide for the nonrefundable portion of advance fees to be accounted for as deferred revenue and amortized into income while the refundable portion of advance fees are reported as a refund liability. An exception is provided when the contract states that the sources of funds for refund of the advance fee is based upon re-occupancy. The current accounting guidance permits recording these advance fees as deferred revenue as well. The new ASU clarifies existing accounting guidance to limit recording refundable advance fees as deferred revenue to only those specific contracts that limit the refund to the re-occupancy proceeds of the resident's specific unit. These contracts not only impact the timing of the refund to re-occupancy of the specific unit, but also restrict the amount of the refund payable to the amount of re-occupancy proceeds received from the subsequent resident of the unit. ASU No. 2012-01 is effective for the Organization's fiscal year ending June 30, 2014. The adoption of ASU No. 2012-01 did not have an impact on the Organization's financial statements.

In October 2012, the FASB issued ASU No. 2012-04, "Technical Corrections and Improvements," ("ASU No. 2012-04"), to address feedback received from stakeholders on the FASB ASC and to make other incremental improvements to U.S. GAAP. The amendments in this update represent changes to clarify the codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. Additionally, the amendments will make the Codification easier to understand and the fair value measurement guidance easier to apply by eliminating inconsistencies and providing needed clarifications. ASU No. 2011-04 is effective for the Organization's year ending June 30, 2014. The adoption of ASU No. 2012-04 did not have a material impact on the Organization's financial statements.

In October 2012, the FASB issued ASU No. 2012-05, "Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows" ("ASU No. 2012-05"). The amendments in this ASU require a not-for-profit entity (NFP) to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows as cash inflows from operating activities, if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. ASU No. 2012-05 is effective prospectively for fiscal years, and interim fiscal periods within those years, beginning after June 15, 2013. Retrospective application to all periods presented upon the date of adoption is permitted. Early adoption from the beginning of the fiscal year of adoption is permitted. ASU No. 2012-05 concerns classification on the statement of cash flows only and did not have a material impact on the Organization's financial statements.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Organization has defined its financial instruments which are subject to credit risk as cash and cash equivalents, and pledge receivables. The Organization maintains its cash in bank-deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents. Pledge receivables are due from various individuals and organizations which mitigate the risks associated therein.

NOTE 4 – ASSETS LIMITED AS TO USE

Assets limited as to use consist of the following as of June 30, 2014:

Cash and cash equivalents held in trust (a)		
Entrance fees	$	12,965,946
Capital campaign		72,458
Debt service fund		8,978,388
Accrued interest on bond fund		80
Debt service fund interest account		76,837
		22,093,709
Less current portion		13,115,321
Non-current portion	$	8,978,388

(a) Cash held in trust represents the remaining balance of the Organization's bond proceeds, entrance fees, and capital campaign contributions collected that are restricted by the bond agreement and the restated letter of credit agreement to be used to service the debt and to fund deficits until breakeven (Note 8 and Note 9).

NOTE 5 – NOTES RECEIVABLE

During the year ended June 30, 2014, the Organization entered into continuing care contracts with 41 individuals, of which a portion of the entrance fees were received upon signing of the contracts and notes receivable were issued for the remaining balances due. The notes are non-interest bearing and are due at various dates within a six month to twelve month period from the date of issuance. The notes receivable are carried at the unpaid principal balances, less an allowance for losses. Prior to accepting deposits from prospective residents, the Organization does an extensive credit check and verifies the applicant's assets. Based on past collection experiences, the Organization estimated that all the outstanding balances are collectible as of June 30, 2014. No provision of allowance for losses is deemed necessary.

NOTE 6 – PLEDGE RECEIVABLES

Pledge receivables consist of the following as of June 30, 2014:

Campaign pledge receivables	$	616,147
Less allowance for doubtful accounts		110,000
		506,147
Less current portion		371,215
		134,932
Less discount to net present value		7,004
Noncurrent portion	$	127,928

Gross pledges are scheduled to be collected as follows as of June 30, 2014:

Due in less than one year	$	451,890
Due one year to five years		164,257
Total	$	616,147

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2014:

Buildings and building equipment	$	127,306,950
Land improvements		699,524
Furniture and equipment		6,409,200
Automobiles		200,412
Artwork		29,010
Total assets subject to depreciation		134,645,096
Less accumulated depreciation		(20,311,986)
Land		13,118,538
Construction in progress		658,015
	$	128,109,663

Building costs include $1,874,663 in capitalized interest. The capitalized interest represents the excess of interest expense over interest income on bond proceeds from the date of the issuance of the bonds through the end of the construction period.

Depreciation expense for the year ended June 30, 2014 was $4,078,399.

NOTE 8 – BONDS PAYABLE

The Organization's bonds payable represent tax-exempt variable rate revenue bonds (899 Charleston Project) Series 2007 issued by ABAG Finance Authority for Nonprofit Corporations in the amount of $165,805,000 which will mature on June 1, 2037. The bonds are special obligations of ABAG, payable by the Organization. The use of the proceeds was limited to the Organization's capital project. As of June 30, 2014, the outstanding balance on the bonds is $61,130,000.

The terms of the amended and restated letter of credit and reimbursement agreement (Note 9), sets forth a formula for how the bonds and the funded loan under the participation agreement (Note 10) are to be redeemed through the earlier of the Organization reaching stable occupancy, as defined in the agreement, or June 30, 2016. The formula is a function of the entrance fees collected in excess of certain threshold amounts on a quarterly basis starting with the quarter ending June 30, 2011.

Based on the current marketing plans and projections as described in Note 1, the estimated amounts to be redeemed by the Organization over the term of the bonds are as follows:

Year Ending June 30,		
2015	$	7,712,000
2016		53,418,000
	$	61,130,000

Interest payments on the bonds are due on the first business day of each month and are computed based on daily interest rates set by the remarketing agent which, in no event, may exceed 10%. As of June 30, 2014, the interest rate on the bonds was 0.04%.

NOTE 9 - LETTER OF CREDIT

In connection with the issuance of the bonds (Note 8), the Organization has an irrevocable transferable direct-pay letter of credit with a bank for approximately $62 million, as of June 30, 2014, which expires on June 30, 2016. On June 30, 2011, the Organization restructured the terms of its $168 million standby letter of credit with the lender group. The original letter of credit and reimbursement agreement required that the collection of the capital campaign funds and entrance fees be used to redeem the principal amount of the bonds in an amount not less than $118,425,000 on a quarterly basis with a final quarterly payment being made by June 30, 2012. The restructured letter of credit and reimbursement agreement dated March 31, 2011, allows the capital campaign funds to be used for operations and the collected entrance fees to be used to pay for debt service and restructuring fees. It is anticipated that the trustee of the bonds will draw in full on the letter of credit to pay down the bonds. Draws under the letter of credit, if not paid immediately, will constitute a loan.

One year after the Organization reaches its stable occupancy, as defined in the agreement, or on June 30, 2016, whichever is earlier (the "exchange date"), the balance of the then outstanding bonds and term loans under the letter of credit will be exchanged into a new term loan. The term loan will have two notes. At that time, the Organization and lender will determine the carrying amount of each note. Note A will be amortized over 25 years with an annualized interest rate of LIBOR plus 4.25%. Note B will accrue interest monthly at an annualized interest rate of LIBOR plus 5.00%, payable after Note A is paid in full. The forbearance and restructuring fee of 1% of the letter of credit is to be added to the principal balance of Note B and payable in accordance with the terms of Note B. Obligations due to Jewish Home & Senior Living Foundation of $7 million and Jewish Home of San Francisco of $409,781 will convert into Note C1 and C2, respectively. The notes will be unsecured and subordinated to Note A and B. Notes C1 and C2 will accrue monthly interest at an annualized interest rate of LIBOR plus 5.00% starting at the exchange date and payable when Note A and B are paid in full.

As required by the letter of credit agreement, the Organization and the Foundation entered into a support and guarantee agreement with the lender group in which the Foundation is a partial guarantor for up to $7 million. As a guarantor, the Foundation is required to fund the Organization's project fund deficiency, as defined in the agreement, up to $7 million. The guarantee was fully funded in 2011 (See Note 10).

A fee ranging from 0.90% to 1.35% is charged on a quarterly basis for the unused portion of the letter of credit based on the occurrence of certain events. The rate as of June 30, 2014 was 1.35%. The restated letter of credit requires the Organization to maintain certain sales and occupancy levels starting with quarter ending December 31, 2011. The Organization obtained an amendment to the letter of credit agreement on November 27, 2012 which waived the non-compliance for the quarter ended September 30, 2012 and renegotiated new minimum occupancy level requirements for the subsequent quarters. In addition, the amendments set quarterly cumulative cash net loss/income covenants. During year ended June 30, 2013, the minimum occupancy covenants and cumulative cash net loss/income covenants were revised for fiscal year June 30, 2014.

NOTE 10 – LOANS PAYABLE

Loans payable consist of the following as of June 30, 2014:

Loans from the Foundation (a)	$	7,000,000
Deferred charges from Hebrew Home of San Francisco (b)		409,781
		7,409,781
Less discounts on loans		169,563
Total		7,240,218
Term loan under letter of credit agreement (c) (Note 9)		15,396,227
		22,636,445
Less current portion		1,891,000
Non-current portion	$	20,745,445

(a) During the years ended June 30, 2011 and 2010, the Foundation provided the Organization with loans totaling $3,157,314 and $3,842,686, respectively, to fund the Organization's project deficiencies and operational needs as guarantor under the letter of credit agreement. The loans are noninterest-bearing until converted to Note Cl at the exchange date (Note 9). The Organization has recorded a discount on the loans using an interest rate of 9% for the period from April 2011 to October 2014. The discount on the loans was recognized as temporarily restricted contribution in the statement of changes in net assets (deficit) and is being amortized as interest expense over the term of the loans using the straight-line method.

(b) The Home provided the Organization various services during the years ended June 30, 2011 and 2010 (Note 14). Fees charged for such services were converted to a loan to the Organization. The loan is noninterest-bearing until converted to Note C2 at the exchange date (Note 9). The Organization has recorded a discount on the loans using an interest rate of 9% for the period from April 2011 to October 2014. The discount on the loan was recognized as temporarily restricted contribution in the statements of changes in net assets and is being amortized as interest expense over the term of the loan using the straight-line method.

(c) On March 31, 2011, the bank group signed the Second Amended and Restated Participation Agreement (the "Participation Agreement"). Under this Participation Agreement, the lead lender in the lending group redeemed $26,500,000 of the bonds in May 2011 in exchange for a term loan from one of the participating banks. The holder of the term loan shares in the same rights and obligations under the letter of credit ("LOC") agreement and will receive their pro rata share of the LOC and remarketing fees and the redemption payments.

The terms of the amended and restated letter of credit and reimbursement agreement (Note 9), sets forth a formula for how the bonds and the funded loan under the participation agreement are to be redeemed through the earlier of the Organization reaching stable occupancy, as defined in the agreement, or June 30, 2016. The formula is a function of the entrance fees collected in excess of certain threshold amounts on a quarterly basis starting with quarter ending March 31, 2011. Based on the current marketing plans and projections as described in Note 1, the estimated amounts to be paid by the Organization over the term of the funded loan are as follows:

Year Ending June 30,		
2015	$	1,891,000
2016		18,854,445
	$	20,745,445

NOTE 11 – FAIR VALUE MEASUREMENTS

The following fair value hierarchy table presents information about the Organization's financial instruments measured at fair value on a recurring basis as of June 30, 2014:

Description	Balance as of June 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un-observable Inputs (Level 3)
Assets				
Assets limited as to use	$ 22,093,709	$ 22,093,709	$ -	$ -
Beneficial interest in Jewish Home & Senior Living Foundation	5,574,736	-	5,574,736	-
	$ 27,668,445	$ 22,093,709	$ 5,574,736	$ -

The valuation methodologies used to determine the fair values of assets and liabilities under the "exit price" for fair value measurement reflect market-participant objectives and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The Organization determines the fair values of certain financial assets and financial liabilities based on quoted market prices, where available. The Organization also determines fair value based on future cash flows discounted at the appropriate current market rate. Fair values reflect adjustments for counterparty credit quality, the Organization's credit standing, liquidity and, where appropriate, risk margins on unobservable parameters. The following are the techniques used to determine fair values for the financial instruments listed in the above tables.

- Assets limited as to use – consist of cash equivalents and private debt obligations and are valued at amortized cost, which approximates fair value.

- Beneficial interest in Jewish Home & Senior Living Foundation – the fair value is determined based on the Organization's ownership interest in investments measured at quoted market prices.

Fair values of the Organization's financial instruments as of June 30, 2014 that are not measured at fair value on a recurring basis are as follows:

- Cash and cash equivalents, accounts receivable, notes receivable, prepaid expenses and other current assets, other receivables, accounts payable, accrued liabilities, deferred monthly fees and other liabilities, refundable deposits and refundable entrance fees — the carrying amount approximates fair value due to their short term nature.

- Pledge receivables -the carrying value approximates fair value since they are carried at the expected amounts discounted to present value. Pledge receivables are recorded net of an allowance for losses.

- Bonds payable – the carrying value approximates fair value as the bonds are variable interest rate bonds with interest rates that adjust on a daily basis and fluctuate with changes in market rates.

- Loans payable – the carrying value approximates fair value as they are carried at the amounts to be paid discounted to present value.

NOTE 12 – ENDOWMENT FUNDS

The Organization follows the FASB ASC 958, *Not-for-Profit Entities*, for reporting endowment funds. The standard provides guidance on the net asset classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The State of California adopted a version of the UPMIFA, known as the State Prudent Management of Institutional Funds Act ("SPMIFA").

SPMIFA moves away from the concept of corpus with its "historical dollar value" in an endowment. Charities are encouraged to develop spending policies that are responsive to short term fluctuations in the value of the fund, preserve the value of the fund for future use, and honor the charitable purpose of the fund. The Organization will continue to balance the endurance of its funds and the needs of the community in its granting policies and practices.

The Organization's endowment assets are generally donor-restricted endowment funds established to generate support for Jewish residents of the Project or accepted applicants who cannot afford a portion of either the entry fee or the continuing monthly costs. As required by ASC 958, 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 the Organization has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the organization and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the organization

(7) The investment policies of the organization

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to provide support for the various programs of the Organization while seeking to maintain the original gift value of the endowment asset. 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 realize a competitive rate of return comparable to index benchmarks.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a diversified asset investment 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 of investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution the income, both current and accrued, from the endowment funds to anyone who needs financial assistance for any aspect of their stay at the facilities of the Organization. The Organization is expecting to provide annual distributions of 5% of the market value of the endowment assets as determined quarterly and averaged over the preceding 36 months. The investment managers are required to invest funds so as to ensure that required distributions of income can be met. In order to avoid untimely sales of securities, the Board of Trustees will forward to the managers estimates of needed payouts well in advance.

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 SPMIFA requires the Organization to retain as a fund of perpetual duration. No deficiency of this nature existed as of June 30, 2014.

Endowment Net Asset Composition by Type of Fund as of June 30, 2014:

	Unrestricted	Temporarily	Permanently	Total
Donor-restricted endowment funds	$ -	$ 1,453,255	$ 4,120,482	$ 5,573,737

Endowment Net Asset Composition by Type of Fund as of June 30, 2014:

	Unrestricted	Temporarily	Permanently	Total
Endowment net assets, beginning of period	$ -	$ 779,809	$ 3,845,482	$ 4,625,291
Contributions	-	-	275,000	275,000
Investment return				
Change in beneficial interest	-	673,446	-	673,446
Endowment net assets, end of year	$ -	$ 1,453,255	$ 4,120,482	$ 5,573,737

NOTE 13 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted as follows as of June 30, 2014:

Earnings on endowment net assets	$ 1,453,255
Moldaw Library Fund/General Funds	3,938
To be expended in future periods	169,563
Capital campaign fund	722,179
	$ 2,348,935

Net assets were released from restrictions during 2014 for the following purposes:

Expended in current period	$ 508,680
Satisfaction of purpose	1,302
	$ 509,982

NOTE 14 – FINANCIALLY INTER-RELATED ORGANIZATIONS

Taube-Koret Campus for Jewish Life

The Taube-Koret Campus for Jewish Life ("TKCJL") is a collaborative initiative founded and developed by the Home, the Albert L. Schultz Jewish Community Center of Palo Alto, the Jewish Community Federation, and local community leaders. The purpose of TKCJL is to strengthen and enhance Jewish community life in the South Peninsula by fundraising and supporting the development of a multi-purpose, intergenerational Jewish campus.

On August 16, 2007, TKCJL, the LLC, the Organization, and Jewish Community Center (the "Parties") entered into a Memorandum of Understanding to delineate and memorialize the respective rights, roles and responsibilities of the Parties related to the transfer of assets held by TKCJL for the benefit of the parties' respective projects, including pledge collection, transfer and fundraising on the capital campaign which was targeted to raise approximately $140 million.

In addition, the parties agreed that TKCJL will continue to act solely as a fundraising and collection agent following the closing of the bond financing. As of June 30, 2014, the Organization has received approximately $24 million in pledges and contributions through TKCJL.

TKCJL has a separate board of trustees over which 899 Charleston does not exercise majority control and, therefore, the operations of TKCJL are not included in the accompanying financial statements.

The Foundation

As required by the letter of credit, in connection with the issuance of the bonds payable, the Foundation entered into a support and guarantee agreement with the bank in which the Foundation is a partial guarantor for up to $7 million.

The Foundation has provided the Organization with non-interest bearing loans totaling $7 million, to fund the Organization's project deficiencies and operational needs as guarantor under the letter of credit agreement. The Foundation has filled their obligation under the support and guarantee agreement. As of June 30, 2014 the entire $7 million loan balance remains outstanding.

The Organization has recorded a discount on the $7 million loan using an interest rate of 9% for the period from April 2011 to October 2014, the estimated exchange date. The Organization recognized the discount on the loan as grant revenue for the year ended June 30, 2014 in the statement of activities and it is being amortized as interest expense over the term of the loan using the straight-line method.

The Foundation has a separate board of trustees over which 899 Charleston does not exercise majority control and, therefore, the operations of the Foundation are not included in the accompanying financial statements.

Hebrew Home for the Aged Disabled (the "Home")

The Home entered into an inter-company service agreement with the Organization whereby the Home agreed to provide the Organization various services, including but not limited to, housekeeping, plant operations, maintenance, administrative office support, information services, finance and accounting, public relations, and human resources. This agreement was terminated as of June 30, 2011. As of June 30, 2014, $409,781 was accrued for the services that were provided in prior fiscal years by the Home. Pursuant to the new Exchange Agreement (Notes 1 and 9), the outstanding balance as of the exchange date will become Note C 1 and Note C2 which are unsecured and subordinate to Note A and Note B.

The Home has a separate board of trustees over which 899 Charleston does not exercise majority control and, therefore, the operations of the Home are not included in the accompanying financial statements.

Jewish Senior Living Group

In April 2011, the Home transferred its administrative, finance and accounting, IT and human resources functions to Jewish Senior Living Group ("JSLG"). The Organization and JSLG signed a Memorandum on April 1, 2011 whereby JSLG will provide services related to finance and accounting, information technology, human resources and organizational advancement at a monthly fee of $18,750, plus any additional services, costs, or expenses pre-approved by the Organization. Effective July 1, 2012 a new Memorandum was signed revising the monthly fee to $19,688 plus any additional services costs or expenses pre-approved by the Organization. During the year ended June 30, 2014, the Organization paid $404,525 to JSLG for such services. As of June 30, 2014, the Organization owed $58,718 to JSLG for these services, the balance of which is included in accounts payable.

JSLG has a separate board of trustees over which 899 Charleston does not exercise majority control and, therefore, the operations of JSLG are not included in the accompanying financial statements.

NOTE 15 – RETIREMENT PLAN

The Organization sponsors a 403(b) defined contribution plan for its employees. The plan covers substantially all employees meeting certain eligibility requirements. The total expenses under the plan were $26,647 for the year ended June 30, 2014.

NOTE 16 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for the year ended June 30, 2014 were as follows:

Program activities	$	15,992,080
Management and general		1,684,889
Fundraising		15,413
	$	17,692,382

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Litigation:

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Regulatory Matters:

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, and government healthcare program participation requirements.

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. 899 Charleston recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. 899 Charleston's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are issued.

899 Charleston signed a new management agreement with PRS Management and Consulting, LLC ("PRSMC"), subsidiary of Pacific Retirement Services, Inc., which commenced on July 1, 2014. PRSMC provides management services to 899 Charleston and oversees and manages the general day-to-day operations.

In September 2014, Management began the process of refinancing both the bond and loan obligations as detailed in Notes 8 and 10. The offering, feasibility and due diligence documents needed to complete the transaction are currently in a draft stage. The new financing is expected to close by November 15, 2014.

899 Charleston has evaluated subsequent events through October 7, 2014, which is the date the financial statements are issued.

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Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules with
Supplementary Schedules

899 Charleston
(dba Moldaw Residences)

June 30, 2014

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
899 Charleston (dba Moldaw Residences)

We have audited the accompanying financial statements of 899 Charleston dba Moldaw Residences (the "Organization"), which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended June 30, 2014.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of 899 Charleston dba Moldaw Residences as of and for the year ended June 30, 2014, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying Attachment to Form 5-1: Required Principal Paid During Fiscal Year and Credit Enhancement Premiums Paid in Fiscal Year; Attachment to Form 5-4: Deductions from Operating Expenses; Attachment to Form 5-5: Schedule of Qualifying Assets – Debt Service Reserve and Operating Reserve; and Attachment to Form 5-5: Required Disclosure under Section 1790(a)(2); presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of 899 Charleston dba Moldaw Residences and the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

San Francisco, California
October 30, 2014

CONTINUING CARE LIQUID RESERVE SCHEDULES

FORM 5-1
LONG-TERM DEBT INCURRED IN 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	08/01/07	$1,015,000	$67,793	$1,277,632	$2,360,425
2	08/01/07	$5,343,868	$18,294	$0	$5,362,162
3					
4					
5					
6					
7					
8					
	TOTAL:	$ 6,358,868	$ 86,087	$ 1,277,632	$ 7,722,587

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

NOTE: For column (b), do not include voluntary payments made to pay down principal.
NOTE: For column (c), amount does not include amortized discount on subordinated note.

PROVIDER: 899 Charleston dba Moldaw Residences

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					
2					
3					
4					
5					
6					
7					
8					
	TOTAL:	$ -	$ -	$ -	$ -

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

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

PROVIDER: 899 Charleston dba Moldaw Residences

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$ 7,722,587
2	Total from Form 5-2 bottom of Column (e)	$ -
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	$ -
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$ 7,722,587

PROVIDER: 899 Charleston dba Moldaw Residences

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$ 17,692,382
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$ 589,569	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$ 1,277,632	
	c.	Depreciation	$ 4,078,399	
	d.	Amortization	$ 868,841	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$ 1,341,482	
	f.	Extraordinary expenses approved by the Department	$ -	
3		Total Deductions		$ 8,155,923
4		Net Operating Expenses		$ 9,536,459
5		Divide Line 4 by 365 and enter the result.		$ 26,127
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve		$ 1,959,525

PROVIDER: 899 Charleston dba Moldaw Residences
COMMUNITY: Moldaw Residences

ANNUAL RESERVE CERTIFICATION

Provider Name: 899 Charleston dba Moldaw Residences
Fiscal Year Ended: June 30, 2014

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 6/30/2014 and are in compliance with those requirements.

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

		Amount
[1]	Debt Service Reserve Amount	$ 7,722,587
[2]	Operating Expense Reserve Amount	$ 1,959,525
[3]	**Total Liquid Reserve Amount:**	$ 9,682,112

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

	Qualifying Asset Description	(market value at end of quarter) Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents	$ 5,602,734		$ 6,884,602
[5]	Investment Securities	$ -		$ -
[6]	Equity Securities	$ -		$ -
[7]	Unused/Available Lines of Credit	$ -		$ -
[8]	Unused/Available Letters of Credit	$ -		$ -
[9]	Debt Service Reserve	$ 8,978,388		(not applicable)
[10]	Other: Accrued interest on the reserve fund (describe qualifying asset)	$ 80		$ -
	Listed for Reserve Obligation: [11]	$ 14,581,202	[12]	$ 6,884,602
	Reserve Obligation Amount: [13]	$ 7,722,587	[14]	$ 1,959,525
	Surplus/(Deficiency): [15]	$ 6,858,615	[16]	$ 4,925,077

Signature:
(Authorized Representative)

Date: October 30, 2014

Victor Meinke, CFO
(Title)

SUPPLEMENTARY SCHEDULES

Reconciliation of bond principal paid during fiscal year per Form 5-1, line 1 (b) to amount reported in the statement of cash flows:

Payments of bond principal, per the statement of cash flows	$	21,700,000
Less: Optional principal payments made during the fiscal year		20,685,000
Required principal payment, Form 5-1 Line 1 (b)	$	1,015,000

Reconciliation of credit enhancement fees paid during fiscal year per Form 5-1, line 1 (d) to amount reported in the statement of cash flows:

Cash paid for LOC and remarketing fees per the statement of cash flow	$	1,375,074
Less: Remarketing and other fees paid not included in Form 5-1, line 1 (d)		97,442
Credit enhancement premiums paid, Form 5-1 Line 1 (d)	$	1,277,632

Line 2a: Reconciliation of interest paid per form 5-1 and per form 5-4, line 2a:

	Interest paid during fiscal year, per form 5-1, column C	$	86,087
	Less: Interest payable as of 6/30/13		(7,375)
	Plus: Interest payable as of 6/30/14		2,177
	Amortization of discount on subordinate note		508,680
	Interest paid on long-term debt per form 5-4, line 2a	$	589,569

Line 2d: Reconciliation of amortization of bond issuance costs and LOC fees to amortization per form 5-4, line 2d:

	Amortization of bond issuance costs and LOC fees per statement of cash flows	$	841,006
	Plus: Bond issuance cost payments not included in amortization		27,835
	Amortization per form 5-4, line 2d	$	868,841

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

	Cash received from services and other income per statement of cash flows	$	434,063	
	Less: Accounts receivable related to other income as of 6/30/13		(2,472)	
	Plus: Accounts receivable related to other income as of 6/30/14		2,166	
	Other revenues for services to residents (including accrued income)		(371,547)	
	Total revenues for services to non-residents	$	62,210	
(A)	Revenues from residents without continuing care contract		1,279,272	
	Total revenues received during the fiscal year for services to persons who did not have a continuing care contract, Form 5-4, line 2e	$	1,341,482	
	Cash received from resident fees per the statement of cash flows	$	8,688,486	
	Less: Cash received from resident fees with continuing care contracts		7,395,704	
	Cash received from resident fees without continuing care contracts		1,292,782	
	Plus: Accounts receivable/Less: Prepaid related to resident fees without continuing care contracts as of 6/30/14		(11,273)	
	Less: Accounts receivable related to resident fees without continuing care contracts as of 6/30/13		(2,237)	
	Revenues from residents without continuing care contract	$	1,279,272	(A)

899 CHARLESTON DBA MOLDAW RESIDENCES
ATTACHMENT TO FORM 5-5: SCHEDULE OF QUALIFYING ASSETS - DEBT SERVICE RESERVE AND OPERATING RESERVE

		Amount	
	Qualifying Asset Description	**DEBT RESERVE**	**OPERATING RESERVE**
	Operating checking accounts	$ -	$ 821,760
	Capital campaign account	-	72,458
	Depositor account	1,326,768	-
	Turnover entrance fee account	-	5,189,224
	Wilmington Trust	-	801,160
	Entrance fee account	5,648,794	-
	Capitalized interest account in trust	76,837	-
		7,052,399	
	Less: Amount related to refundable deposits to prospective residents and refundable parking deposits	(1,449,665)	-
Line 4	Total cash and cash equivalents	5,602,734	6,884,602
Line 9	Debt service reserve in trust	8,978,388	-
Line 10	Accrued interest on the reserve fund and depositor escrow account	80	-
Line 11	Total Amount of Qualifying Assets listed for reserve obligation	$ 14,581,202	$ 6,884,602
	TOTAL AMOUNT OF QUALIFYING ASSETS FOR DEBT RESERVE AND OPERATING RESERVE	$ 21,465,804	
	Cash and cash equivalents per the statement of financial position	$ 821,760	
	Assets limited as to use, current per the statement of financial position	13,115,321	
	Assets limited as to use, noncurrent per the statement of financial position	8,978,388	
	Total amount of qualifying assets for debt reserve and operating reserve	22,915,469	
	Less: Amount related to refundable deposits to prospective residents and refundable parking deposits	(1,449,665)	
	Total amount of qualifying assets for debt reserve and operating reserve	$ 21,465,804	

Escrow entrance fees - This amount represents entrance fees collected beginning September 1, 2010 that are to be used to make principal payments on the tax exempt bonds pursuant to loan agreements.	$11,639,178
Debt service reserve fund - This amount represents the required reserve fund for the letter of credit. The moneys are reserve only to be used if other funds are insufficient to satisfy the debt service requirements.	8,978,388
Accrued interest on bond fund - This amount represents the June accrued interest earned from the debt service fund that is booked to July statement.	80
Capitalized interest account - This amount represents the balance that is used to pay the bond and letter of credit interest and fees.	76,837
New depositor account - This account is used to receive the 10% deposit amount when a resident reserves a unit.	1,326,768
	$22,021,251
Less: Amount related to refundable deposits to prospective residents and refundable parking deposits	(1,449,665)
	$ 20,571,586
Per capita cost	$ 96,354

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	**3,037 to $6,271**	**$6,760 to $8,112**	**N/A**
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**4.0%**	**4.0%**	**N/A**

☐ 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:
(If more than 1 increase was implemented, indicate the dates or each increase.) 1/1/2014

[4] Check each of the appropriate boxes:

[X] Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

[X] All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

[X] 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.

[X] 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.

[X] The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

[X] 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: **899 Charleston, DBA Moldaw Family Residences FYE 6/30/14**

COMMUNITY: **Moldaw Family Residences**

899 Charleston DBA
Moldaw Family Residences
Support Schedule for Form 7-1, Support for Increase in Monthly Fees
FYE June 30, 2014

(5) Attach a page to provide an explanation for the increase in monthly service fees including the amount of increase.

The price increase in monthly service fees was based upon the budget model that was reviewed by the Resident Finance, Resident Council and the Board of Directors.

In determining the annual resident fee increase, the following factors were considered:
- Part of the budget process included census projection
- Expenses are reviewed line item by line item to support the projected census.
- Economic factors are reviewed to gauge inflation.
- Look into CCRC Rent increases using national benchmark data
- Comparison of rate increases of other local and Greystone managed communities

The amount of the final rate adjustment was spread based on unit type and on per capita basis.

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 10/29/2014

RECEIVED OCT 3 1 2014 CONTINUING CARE CONTRACTS BRANCH

FACILITY NAME: Moldaw Residences

ADDRESS: 899 East Charleston Road, Palo Alto ZIP CODE: 94303 PHONE: 650-433-3600

PROVIDER NAME: ______ FACILITY OPERATOR: 899 Charleston

RELATED FACILITIES: None RELIGIOUS AFFILIATION: Jewish

YEAR OPENED: 2009 # OF ACRES: ____ ☐ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ______ MILES TO SHOPPING CTR: ____ MILES TO HOSPITAL: ____

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:	0	ASSISTED LIVING:	12
APARTMENTS – 1 BDRM:	74	SKILLED NURSING:	0
APARTMENTS – 2 BDRM:	84	SPECIAL CARE:	11
COTTAGES/HOUSES:	12 (3 bdrm apt)	DESCRIPTION: >	Memory Support
RLU OCCUPANCY (%) AT YEAR END:	95%	>	

* *

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

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

REFUND PROVISIONS: *(Check all that apply)* ☑ 90% ☐ 75% ☑ 50% ☑ FULLY AMORTIZED ☐ OTHER: ______

RANGE OF ENTRANCE FEES: $ 277,243 (BMR) - $ 1,206,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☑ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 10 day stay at SNF a year and discount in Assisted Living

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

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > ______
\> ______

* *

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	☐	☑	HOUSEKEEPING (2 TIMES/MONTH)	☑	☐
BILLIARD ROOM	☐	☐	MEALS (1-IL; 3-M/DAY)	☑	☐
BOWLING GREEN	☐	☐	SPECIAL DIETS AVAILABLE	☑	☐
CARD ROOMS	☑	☐			
CHAPEL	☐	☐	24-HOUR EMERGENCY RESPONSE	☑	☐
COFFEE SHOP	☐	☐	ACTIVITIES PROGRAM	☑	☐
CRAFT ROOMS	☑	☐	ALL UTILITIES EXCEPT PHONE	☑	☐
EXERCISE ROOM	☑	☐	APARTMENT MAINTENANCE	☑	☐
GOLF COURSE ACCESS	☐	☐	CABLE TV	☑	☐
LIBRARY	☑	☐	LINENS FURNISHED	☐	☐
PUTTING GREEN	☐	☐	LINENS LAUNDERED	☑	☐
SHUFFLEBOARD	☐	☐	MEDICATION MANAGEMENT	☑	☐
SPA	☑	☐	NURSING/WELLNESS CLINIC	☑	☐
SWIMMING POOL-INDOOR	☑	☐	PERSONAL HOME CARE	☑	☐
SWIMMING POOL-OUTDOOR	☑	☐	TRANSPORTATION-PERSONAL	☐	☐
TENNIS COURT	☐	☐	TRANSPORTATION-PREARRANGED	☑	☐
WORKSHOP	☐	☐	OTHER ______	☐	☐
OTHER Cultural Center	☑	☐			

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: Moldaw Residences

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
NONE		

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)
NONE		

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)
NONE		

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)
NONE		

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

PROVIDER NAME: Moldaw Residences

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$3,800,986	$5,808,744	$6,890,124	$9,083,842
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	$7,046,872	$8,282,875	$9,487,348	$11,329,180
NET INCOME FROM OPERATIONS	-$3,245,886	-$2,474,131	-$2,597,224	-$2,245,338
LESS INTEREST EXPENSE	$1,919,252	$737,303	$716,078	$589,569
PLUS CONTRIBUTIONS	$2,944,999	$483,384	$206,822	322,171
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	-$2,136,222	-$1,884,537	-$1,588,372	-$1,444,247
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	-$4,356,361	-$4,612,587	-$4,694,852	-$3,689,585
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$15,200,942	$19,827,411	$16,906,652	$22,175,898

* *

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Bank of America	$76,526,227	0.04	08/01/07	06/01/41	35 years

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO		.59	.48	.46
OPERATING RATIO		1.43	1.33	1.24
DEBT SERVICE COVERAGE RATIO		.78	1.46	3.03
DAYS CASH ON HAND RATIO		79.97	188.06	54.6

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO							
ONE BEDROOM	$2,805	0%	$2,902	0%	$3,213	4%	$3,341
TWO BEDROOM	$4,145	0%	$4,222	0%	$4,392	4%	$4,567
COTTAGE/HOUSE	$5,800	0%	$5,992	0%	$6,271	4%	$6,522
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

>

>

PROVIDER NAME: Moldaw Residences

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

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

899 Charleston DBA: Moldaw Family Residences

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.		Budgeted	Forecast				Preferred Trend Indicator
	2014	2015	2016	2017	2018	2019	
OPERATIONAL STATISTICS							
1. Average Annual Occupancy by Site (%)	85.49%	94.82%	94.82%	94.82%	94.82%	94.82%	N/A
MARGIN (PROFITABILITY) INDICATORS							
2. Net Operating Margin (%)	-18.39%	8.91%	11.23%	14.55%	14.44%	14.18%	↑
3. Net Operating Margin - Adjusted (%)	8.09%	26.88%	36.19%	39.29%	39.03%	39.27%	↓
LIQUIDITY INDICATORS							
4. Unrestricted Cash and Investments ($000)	$13,937	$11,964	$16,869	$19,083	$22,005	$25,494	↑
5. Days Cash on Hand (Unrestricted)	383.89	376.18	496.46	486.51	550.84	625.40	↑
CAPITAL STRUCTURE INDICATORS							
6. Deferred Revenue from Entrance Fees ($000)	$2,166	$2,330	$2,514	$1,906	$1,864	$1,830	N/A
7. Net Annual E/F proceeds ($000)	$2,618	$2,621	$4,328	$4,614	$4,694	$4,945	N/A
8. Unrestricted Net Assets ($000)	-$38,409	-$42,350	-$46,664	-$48,332	-$53,700	-$58,584	N/A
9. Annual Capital Asset Expenditure ($000)	$597	$251	$250	$400	$500	$515	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	1.34	2.92	2.34	2.14	1.26	1.38	↑
11. Annual Debt Service Coverage (x)	2.63	4.31	4.01	3.23	2.38	2.56	↑
12. Annual Debt Service/Revenue (%)	22.22%	17.71%	23.32%	37.36%	36.19%	35.03%	↓
13. Average Annual Effective Interest Rate (%)	2.41%	2.55%	3.57%	5.42%	5.42%	5.47%	↓
14. Unrestricted Cash & Investments/LT Debt (%)	18.79%	18.53%	26.93%	24.68%	28.62%	33.36%	↑
15. Average Age of Facility (years)	4.98	5.61	6.61	8.01	8.92	9.82	↓

11/24/14

Chief Financial Officer Signature

899 Charleston DBA: Moldaw Family Residences
Attachment to Key Indicator Report

OPERATIONAL STATISTICS	
1. Average Annual Occupancy by Site (%)	Stabilized Occupancy attained in December 2014
MARGIN (PROFITABILITY) INDICATORS	
2. Net Operating Margin (%)	
3. Net Operating Margin - Adjusted (%)	Net proceeds from Entrance Fees include only entrance fees received from re-occupancy, not initial entrance fees.
LIQUIDITY INDICATORS	
4. Unrestricted Cash and Investments ($000)	Includes Operating Cash and Operating Reserves setup as part of the debt restructuring. The downward trending relates to the fact that the minimum balances required for operating reserves decreases as the community grows closer to stabilized occupancy.
5. Days Cash on Hand (Unrestricted)	Cash includes Operating Cash and Operating Reserves setup as part of the debt restructuring. The downward trending relates to the fact that the minimum balances required for operating reserves decreases as the community grows closer to stabilized occupancy.
CAPITAL STRUCTURE INDICATORS	
6. Deferred Revenue from Entrance Fees ($000)	
7. Net Annual E/F proceeds ($000)	Includes only entrance fees received from re-occupancy, not initial entrance fees.
8. Unrestricted Net Assets ($000)	
9. Annual Capital Asset Expenditure ($000)	
10. Annual Debt Service Coverage - Revenue Basis (x)	Per the debt restructuring, there is no set principal payment schedule, as such the debt service excludes the payment of short term bonds as these are paid from initial entrance fee proceeds.
11. Annual Debt Service Coverage (x)	Per the debt restructuring, there is no set principal payment schedule, as such the debt service excludes the payment of short term bonds as these are paid from initial entrance fee proceeds.
12. Annual Debt Service/Revenue (%)	Per the debt restructuring, there is no set principal payment schedule, as such the debt service excludes the payment of short term bonds as these are paid from initial entrance fee proceeds.
13. Average Annual Effective Interest Rate (%)	The upward trending relates to the bonds being variable rate and the anticipated rise in interest rates over the next several years.
14. Unrestricted Cash & Investments/LT Debt (%)	The downward trending relates to the fact that the minimum balances required for operating reserves decreases as the community grows closer to stabilized occupancy.
15. Average Age of Facility (years)	

KEY INDICATORS REPORT

Moldaw Residences

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

	FORMULA	2014	Budgeted 2015	Forecast 2016	2017	2018	2019
				in thousand			
OPERATIONAL STATISTICS							
1. Average Annual Occupancy by Site (%)	(total occupied units @ 1/1 + total occupied units @ 12/31)/2 / total number of units at the community	85%	95%	95%	95%	95%	95%
	BB occupancy	147.00	183.00	183.00	183.00	183.00	183.00
	EB occupancy	183.00	183.00	183.00	183.00	183.00	183.00
	Average occupancy	165.00	183.00	183.00	183.00	183.00	183.00
	Total available occupancy	193.00	193.00	193.00	193.00	193.00	193.00
MARGIN (PROFITABILITY) INDICATORS		**-18.39%**	**8.91%**	**11.23%**	**14.55%**	**14.44%**	**14.18%**
2. Net Operating Margin (%)	Resident revenue exclude EF amortization income less	9,084	10,670	11,064	11,323	11,638	11,972
	less resident expenses excluding depreciation & amortization	(10,755)	(9,719)	(9,822)	(9,676)	(9,958)	(10,274)
	= net resident operating INCOME	(1,671)	951	1,242	1,647	1,680	1,698
	Resident revenue	9,084	10,670	11,064	11,323	11,638	11,972
3. Net Operating Margin - Adjusted (%)	Resident revenue + Net Proceed from EF - Resident Expenses / Resident revenue + Net Proceeds from EF	**8%**	**27%**	**36%**	**39%**	**39%**	**39%**
	Resident revenue	9,084	10,670	11,064	11,323	11,638	11,972
	Net proceed from EF	2,618	2,621	4,328	4,614	4,694	4,945
		11,702	13,291	15,392	15,937	16,332	16,917
	Less: Resident Expenses	(10,755)	(9,719)	(9,822)	(9,676)	(9,958)	(10,274)
		947	3,572	5,570	6,261	6,374	6,643

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

	FORMULA		2014	Budgeted 2015	Forecast 2016	2017	2018	2019
LIQUIDITY INDICATORS								
4. Unrestricted Cash and Investments ($000)			13,937	11,964	16,869	19,083	22,005	25,494
5. Days Cash on Hand (Unrestricted)			383.89	376.18	496.46	486.51	550.84	625.40
	Unrestricted cash and investment	row 39	13,937	11,964	16,869	19,083	22,005	25,494
	(Operating expenses - depreciation and amortization)/365	row 49	36.31	31.80	33.98	39.22	39.95	40.76
	Operating resident expenses		10,755	9,719	9,822	9,676	9,958	10,274
	Interest expense, and LOC and other fees		2,497	1,889	2,580	4,641	4,623	4,605
			13,251	11,608	12,402	14,317	14,581	14,879
CAPITAL STRUCTURE INDICATORS								
6. Deferred Revenue from Entrance Fees ($000)			2,166	2,330	2,514	1,906	1,864	1,830
7. Net Annual E/F proceeds ($000)			2,618	2,621	4,328	4,614	4,694	4,945
8. Unrestricted Net Assets ($000)	Refer to unrestricted net asset tab		(38,409)	(42,350)	(46,664)	(48,332)	(53,700)	(58,584)
9. Annual Capital Asset Expenditure ($000)			597	251	250	400	500	515
10. Annual Debt Service Coverage Revenue Basis (x)			1.34	2.92	2.34	2.14	1.26	1.38
	Total excess revenue over expenses + interest + depreciation + amortization expense - amortization of deferred revenue	row 71	2,696	5,523	6,026	9,033	5,318	5,801
	Annual debt service (principal & interest paid)		2,018	1,889	2,580	4,230	4,212	4,194
	Total excess revenue over expenses		(6,408)	(3,941)	(4,314)	(1,668)	(5,368)	(4,884)
	Add interest expense		2,018	1,889	2,580	4,230	4,212	4,194
	Add depreciation/amortization expense		4,919	5,245	5,245	4,565	4,610	4,661
	Add amortization expense							
	Less EF amortization revenue		2,166	2,330	2,514	1,906	1,864	1,830
	Total		2,696	5,523	6,026	9,033	5,318	5,801

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

Indicator	FORMULA		2014	Budgeted 2015	Forecast 2016	2017	2018	2019
11. Annual Debt Service Coverage (x)			2.63	4.31	4.01	3.23	2.38	2.56
	Total excess revenue over expenses + interest + depreciation + amortization expense - amortization of deferred revenue + EF proceed	row 62+ row 31	5,314	8,144	10,354	13,647	10,012	10,746
	Annual debt service		2,018	1,889	2,580	4,230	4,212	4,194
12. Annual Debt Service/Revenue (%)			22%	18%	23%	37%	36%	35%
	Annual debt service (prinicpal & interest exclude capitalized int.)		2,018	1,889	2,580	4,230	4,212	4,194
	Total operating revenue + Net assets released from restriction for operation + Net non-operating gain & loss		9,084	10,670	11,064	11,323	11,638	11,972
13. Average Annual Effective Interest Rate (%)			2%	3%	4%	5%	5%	5%
	Total interest expense on LT debt		2,018	1,889	2,580	4,230	4,212	4,194
	Total LT term (EB + principal paid during the year)		83,766	74,163	72,247	78,114	77,715	76,621
14. Unrestricted Cash & Investments/ Long-Term Debt (%)			18.79%	18.53%	26.93%	24.68%	28.62%	33.36%
	Unrestricted (current +noncurrent) Cash and Investment		13,937	11,964	16,869	19,083	22,005	25,494
	Long term Debt less Current Portion		74,163	64,560	62,644	77,319	76,880	76,424
15. Average Age of Facility (years)			4.98	5.61	6.61	8.01	8.92	9.82
	Accumulated depreciation		20,312	24,716	29,120	33,274	37,473	41,723
	Annual depreciation expense		4,078	4,404	4,404	4,154	4,199	4,250

Chief Financial Officer Signature