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Continuing Care Contract Annual Report

Acacia Creek, a Senior Living Community

October 31, 2013

ACACIA CREEK, A SENIOR LIVING COMMUNITY

CONTINUING CARE CONTRACT ANNUAL REPORT

PART 1

MASONIC HOMES OF CALIFORNIA

California Masonic Memorial Temple
1111 California Street, San Francisco, CA 94108
Voice: (415) 776-7000 Fax: (415) 776-7170

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February 25, 2014

Annette Kite
DSS
744 P St.
MS 10-90
Sacramento, CA 95814

Dear Ms. Kite:

I am the Grand Secretary of the Grand Lodge of California, the parent company for the Masonic Homes of California, 34400 Mission Boulevard, Union City, California. In connection with the Annual Report of the Masonic Homes of California as of and for the year ended October 31, 2013, I hereby certify to the following:

1. The annual reports attached hereto are to the best of my knowledge correct.
2. Each continuing care contract form in use by the Masonic Homes of California for new residents has been approved by the Department of Social Services.
3. The required liquid reserves are being maintained for prepaid continuing care contracts.

This letter is intended to fulfill the requirements of Section 3 of the Annual Report Instructions and is considered an integral part of this filing.

If you have questions regarding this matter, please feel free to contact me at (415) 292-9140.

Sincerely,

Allan Casalou
Grand Secretary
Grand Lodge of California

ACACIA CREEK, A SENIOR LIVING COMMUNITY

CONTINUING CARE CONTRACT ANNUAL REPORT

PART 2

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	78
[2]	Number at end of fiscal year	87
[3]	Total Lines 1 and 2	165
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	82.5
	All Residents	
[6]	Number at beginning of fiscal year	106
[7]	Number at end of fiscal year	156
[8]	Total Lines 6 and 7	262
[9]	Multiply Line 8 by ".50" and enter result on Line 10	x .50
[10]	Mean number of all residents	131
[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)	0.63

FORM 1-2
ANNUAL PROVIDER FEE

Line				TOTAL
[1]		Total Operating Expenses		$8,868,467
	[a]	Depreciation	$3,015,561	
	[b]	Debt Service (Interest Only)	$3,289,424	
[2]		Subtotal (add Line 1a and 1b)		$6,304,985
[3]		Subtract Line 2 from Line 1 and enter result		$2,563,482
[4]		Percentage allocated to continuing care residents (Form 1-1, Line 11)		63%
[5]		Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)		$1,614,407
				x .001
[6]		**Total Amount Due (multiply Line 5 by .001)**		$1,614

PROVIDER: Acacia Creek, a Senior Living Community
COMMUNITY: Union City

ACACIA CREEK, A SENIOR LIVING COMMUNITY

CONTINUING CARE CONTRACT ANNUAL REPORT

PART 3

Grand Lodge Free & Accepted Masons of California and Masonic Homes of California
April 1, 2012 to April 1, 2013 Insurance Summary

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Property Policy – Praetorian Insurance Company
Policy No. H981000557-00
Covers Grand Lodge/Masonic Homes/Acacia Creek/Hall Associations

Policy Limit:	$	100,000,000
Margin Clause - Halls Only:		130%
Buildings & Personal Property:		Included in Policy Limit
Electronic Data Processing Equipment:	$	1,500,000 *
Business Income/Extra Expense:	$	Included *
Acacia Creek Entrance Fees:	$	20,000,000 *
Equipment Breakdown / Boiler & Machinery:	$	100,000,000 *
Earthquake Sprinkler Leakage:		Included
Accounts Receivable:	$	1,000,000 *
Valuable Papers:	$	1,000,000 *
Endomosaic Window at Grand Lodge:	$	1,500,000 *
Fine Arts ($100,000 Maximum Any One Item):	$	1,000,000 *
Newly Acquired Real & Personal Prop. (60 Days):	$	2,500,000 *
Paraphernalia – Per individual Hall/Lodge/Location:	$	500,000 *
Building Ordinance:	$	10,000,000 *
Terrorism:		Included
Transit:	$	1,000,000 *
Sewer Back-up (GL/MH/AC/MCYF):	$	2,500,000 *
Sewer Back-up (Halls):	$	100,000 *
Deductibles:		
Grand Lodge/Masonic Homes/Acacia Creek:	$	50,000
Hall Associations (All Covs. ex. Sewer Backup):	$	1,000
Business Income/Rental Value:		24 Hours
Valuable Papers and Fine Arts (incl. Window):	$	5,000
Sewer Back-up (Halls):	$	2,500
Total Insured Values:	$	730,570,832
Premium:	$	**776,100**

*Sub-limits are included and not in addition to the policy limit.

Excess Property Policy – Landmark American Ins. Co. (Non-Admitted)
Policy No. LDH418041
Covers Grand Lodge/Masonic Homes/Acacia Creek/Halls – All Risk Perils Only

Policy Limit:	$	100,000,000
Excess of:	*$*	*100,000,000*
Deductible:		Same as Primary
Margin Clause:		120% All Locations
Premium:	$	**67,500 plus taxes**

DIC (Earth Movement/Flood) – Grand Lodge/Masonic Homes Only
Westchester (Non-Admitted) Policy No. D37395523001 - $10M
Alterra E&S (Non-Admitted) Policy No. MAX4XP0057094 - $5M p/o $10M xs $10M
Maiden Re (Non-Admitted) Policy No. S1EDY184801S - $5M p/o $10M xs $10M
Covers Grand Lodge/Masonic Homes Only

Policy Limit:	$	20,000,000
Deductible:		5%/$100,000
Total Insured Values:	$	201,684,832
Premium:	$	**689,810 plus taxes**

DIC (Earth Movement/Flood) – Acacia Creek Only
Arch (Non-Admitted) Policy No. ESP0049269-00 - $5M p/o $10M
Colony (Non-Admitted) Policy No. PF260636 - $5M p/o $10M
Alterra E&S (Non-Admitted) Policy No. MAX4XP0057100 - $5M p/o $10M xs $10M
Landmark (Non-Admitted) Policy No. LHQ418040 - $5M p/o $10M xs $10M
Covers Acacia Creek Only

Policy Limit:	$	20,000,000
Deductible:		5%/$100,000
Total Insured Values:	$	102,194,791
Premium:	$	**260,000 plus taxes**

Workers' Compensation - Wausau Underwriters Ins. Co.
Masonic Homes/Acacia Creek - Policy No. WA2-Z91-445049-041 (Guarantee Program)

Employers Liability:	$	1,000,000
Deductible (MH/AC Only):	$	250,000
Policy Agg./Maximum Deductible (MH/AC Only):	$	1,000,000
Estimated Annual Payroll (MH/AC Only):	$	16,288,107
Estimated Annual Premium (Fixed Costs):	$	**327,481**

Workers' Compensation - Wausau Underwriters Ins. Co.
Grand Lodge – Policy No. WCJ-Z91-445049-042 (Guaranteed Cost) – Eff. 6/1/12-4/1/13

Employers Liability:	$	1,000,000
Deductible:	$	0
Estimated Annual Payroll (Grand Lodge Only):	$	6,612,689
Estimated Annual Premium:	$	**38,482**

General Liability (Grand Lodge & Halls) – Wausau Underwriters Ins. Co.
Policy No. TBJ-Z91-445049-032
Covers Grand Lodge & Halls Only

General Liability

General Aggregate:	$	2,000,000
Per Location Aggregate Subject to Cap:	$	15,000,000
Products/Completed Operations Aggregate:	$	2,000,000
Each Occurrence:	$	1,000,000
Personal & Advertising Injury:	$	1,000,000
Damage To Premises Rented To You:	$	1,000,000
Medical Expense:	$	10,000
Premium:	$	**312,603**

Employee Benefits (Claims Made)

Each Employee:	$	1,000,000
Annual Aggregate:	$	2,000,000
Deductible:	*$*	*0*
Retroactive Date:		7/1/2000
Premium:		**Included Above**

Business Automobile – Wausau Underwriters Ins. Co.
Policy No. ASJ-Z91-445049-022
Covers Grand Lodge/Masonic Homes/Acacia Creek/Hall Associations
Halls covered for Non-Owned/Hired Only

Combined Auto Liability Single Limit:	$	1,000,000
Auto Medical Payment Each Person:	$	5,000
Uninsured Motorists:	$	1,000,000
Physical Damage:		Actual Cash Value
Deductibles:		
Comprehensive ($2,500 for buses over 21 Pass.):	*$*	*1,000*
Collision ($2,500 for buses over 21 Pass.):	*$*	*1,000*
Comp./Collision for Non-Owned/Hired:	*$*	*1,000*
Number of Vehicles:	*$*	*23*
Provisional Premium:	$	**43,565**

Umbrella Liability – National Union Fire Ins. Co.
Policy No. BE21421204
Covers Grand Lodge and Hall Associations for GL
Covers Grand Lodge/Masonic Homes/Acacia Creek/Hall Associations for Auto
Covers Grand Lodge/Masonic Homes/Acacia Creek for WC

Each Occurrence:	$	25,000,000
General Aggregate:	$	25,000,000
Crisis Response:	$	250,000
Self Insured Retention:	$	10,000
Premium:	$	**86,500**

Fiduciary Liability – Great American Ins. Co.
Policy No. FDP6660691 (Claims Made)
Covers Grand Lodge/Masonic Homes/Acacia Creek

Limit of Liability:	$	5,000,000
Pending or Prior Date:		1/1/1987
Retention – Insured Persons Non-Indemnifiable:	*$*	*0*
Retention – Company, Plan or IP for Indemnifiable:	*$*	*5,000*
Premium:	$	**7,500**

Dated: 6/1/12

This document is a brief synopsis of coverage only; the policy or policies contain additions, exclusions and/or limitations that are not shown here. Please contact Marsh Risk & Insurance Services with any coverage questions.

Grand Lodge Free & Accepted Masons of California and Masonic Homes of California
April 1, 2012 to April 1, 2013 Insurance Summary

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Directors & Officers Liability (Grand Lodge) Incl. EPLI
Federal Ins. Co. - Policy No. 8208-1512 (Claims Made)
Covers Grand Lodge/Masonic Homes/Acacia Creek

Combined Maximum Aggregate D&O/EPLI:	$	3,000,000
D&O Limit of Liability / Agg. Incl Defense Costs:	$	3,000,000
EPLI Limits of Liability / Agg.:	$	2,000,000
Retention (Grand Lodge/Masonic Homes:)	$	*50,000*
Retention (Individual Lodges):	$	*10,000*
Pending/Prior Date:		7/1/97
Premium:	$	**78,694**

Crime (Grand Lodge) – Federal Ins. Co.
Policy No. 8208-1512
Covers Grand Lodge/Masonic Homes/Acacia Creek

Employee Theft:	$	2,000,000
Forgery Coverage:	$	2,000,000
Premises Coverage:	$	2,000,000
Transit Coverage:	$	2,000,000
Computer Fraud/Funds Transfer Fraud:	$	2,000,000
Money Orders/Counterfeit Paper Currency:	$	2,000,000
Deductible – Grand Lodge / Masonic Homes:	$	10,000
Deductible – Individual Lodges:	$	10,000
Premium:	$	**38,481**

Directors & Officers Liability (Hall Associations) incl. EPLI
Federal Ins. Co. - Policy No. 8208-1493 (Claims Made)
Covers Hall Associations Only

Limit of Liability / Aggregate Incl Defense Costs:	$	1,000,000
Retention:	$	*5,000*
Pending/Prior Date:		8/1/05
Premium:	$	**35,239**

Crime (Hall Associations) – Federal Ins. Co.
Policy No. 8208-1493
Covers Hall Associations Only

Employee Theft:	$	1,000,000
Forgery Coverage:	$	1,000,000
Premises Coverage:	$	1,000,000
Transit Coverage:	$	1,000,000
Computer Fraud/Funds Transfer Fraud:	$	1,000,000
Money Orders/Counterfeit Paper Currency:	$	1,000,000
Deductible – Hall Associations:	$	10,000
Premium:	$	**22,392**

Masonic Homes – General Liability & Professional Liability - Lloyds (Non-Admitted)
Policy No. QG004112 (Claims Made)
Covers Masonic Homes Only

Professional Liability Per Claim Limit:	$	5,000,000
Professional Liability in the Aggregate Annual Limit:	$	5,000,000
General Liability Per Claim Limit:	$	5,000,000
General Liability in the Aggregate Limit:	$	5,000,000
Products/Completed Ops. Aggregate Limit:	$	1,000,000
Fire Damage Limit:	$	100,000
Medical Expense:		Excluded
Subject to an Overall Aggregate Limit of:	$	5,000,000
Self Insured Retention Each Medical Incident:	$	500,000
Retroactive Date (Adult Homes):		7/1/2002
Retroactive Date (Sexual Abuse & Childrens Hm PL):		7/1/2003
Retroactive Date (Childrens Hm GL):		4/1/2009
Sexual Abuse Coverage:		Included
Premium:	$	**233,457 plus taxes**

Masonic Homes – Excess General Liability & Professional Liability - Lloyds (Non-Admitted)
Policy No. QG004212 (Claims Made)
Covers Masonic Homes Only

Per Claim Limit:	$	5,000,000
In the Annual Aggregate Limit:	$	5,000,000
Excess Of:		*$5M / $5M*
Excess of Self Insured Retention:	$	*500,000*
Sexual Abuse Coverage:		Included
Retroactive Date (For Increased Limits):		4/1/11
Premium:	$	**50,000 plus taxes**

Acacia Creek – General Liability & Professional Liability – Illinois Union (Non-Admitted)
Policy No. HPLG23639154002 (Claims Made)
Covers Acacia Creek Only

Professional Liability Per Incident Limit:	$	1,000,000
Professional Liability Aggregate Limit:	$	3,000,000
Sexual Abuse Sub-Limit:	$	1,000,000
Liquor Liability – Each Common Cause/Agg.:	$	1,000,000
General Liability – Each Occurrence Limit:	$	1,000,000
General Liability – General Aggregate	$	3,000,000
Products/Completed Ops. Aggregate:	$	1,000,000
Personal/Advertising Limit:	$	3,000,000
Medical Payments:	$	5,000
Deductible Each Professional Incident:	$	10,000
Retroactive Date:		2/15/2010
Premium:	$	**27,500 plus taxes**

Acacia Creek – Excess General Liability & Professional Liability – Illinois Union (Non-Admitted)
Policy No. XHLG23639166002 (Claims Made)
Covers Acacia Creek Only

Each Loss Event:	$	4,000,000
Aggregate Limit:	$	4,000,000
Excess Of:	$	*1M / $3M*
Excess of Deductible:	$	*10,000*
Sexual Abuse Coverage:		Included
Premium:	$	**41,500 plus taxes**

MCYF - General Liability & Professional Liability – Lexington Ins. Co. (Non-Admitted)
Policy No. 6796873 (PL Claims-Made/GL Occurrence)
Covers Masonic Center for Youth & Families Only

Professional Liability Each Medical Incident Limit:	$	1,000,000
Professional Liability Aggregate Limit:	$	3,000,000
Sexual Abuse:		Included
General Liability – Each Occurrence Limit:	$	1,000,000
General Liability – General Aggregate	$	3,000,000
Products/Completed Ops. Aggregate:	$	1,000,000
Personal/Advertising Limit:	$	1,000,000
Deductible:		None
Retroactive Date:		10/1/2010
Premium:	$	**8,868 plus taxes**

MCYF – Excess General Liability & Professional Liability – Lexington Ins. Co. (Non-Admitted)
Policy No. 6796874
Covers Masonic Center for Youth & Families Only

Each Medical Incident/Occurrence:	$	5,000,000
General Aggregate Limit:	$	5,000,000
Excess Of:	$	*1M / $3M*
Sexual Abuse Coverage:		Included
Premium:	$	**25,000 plus taxes**

Dated: 6/1/12

This document is a brief synopsis of coverage only; the policy or policies contain additions, exclusions and/or limitations that are not shown here. Please contact Marsh Risk & Insurance Services with any coverage questions.

Grand Lodge Free & Accepted Masons of California and Masonic Homes of California
April 1, 2013 to April 1, 2014 Insurance Summary

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Property Policy – Praetorian Insurance Company
Policy No. H981000557-01
Covers Grand Lodge/Masonic Homes/Acacia Creek/Hall Associations

Policy Limit:	$	100,000,000
Margin Clause - Halls Only:		130%
Buildings & Personal Property:		Included in Policy Limit
Electronic Data Processing Equipment:	$	1,500,000 *
Business Income/Extra Expense:	$	Included *
Acacia Creek Entrance Fees:	$	20,000,000
Equipment Breakdown / Boiler & Machinery:	$	100,000,000 *
Earthquake Sprinkler Leakage:		Included
Accounts Receivable:	$	1,000,000
Valuable Papers:	$	1,000,000
Endomosaic Window at Grand Lodge:	$	1,500,000
Fine Arts ($100,000 Maximum Any One Item):	$	1,000,000
Newly Acquired Real & Personal Prop. (60 Days):	$	2,500,000
Paraphernalia – Per Individual Hall/Lodge/Location:	$	500,000
Building Ordinance:	$	10,000,000
Terrorism:		Included
Transit:	$	1,000,000
Sewer Back-up (GL/MH/AC/MCYF):	$	2,500,000
Sewer Back-up (Halls):	$	100,000
Deductibles:		
Grand Lodge/Masonic Homes/Acacia Creek:	$	50,000
Hall Associations (All Covs. ex. Sewer Backup):	$	1,000
Business Income/Rental Value:		24 Hours
Valuable Papers and Fine Arts (incl. Window):	$	5,000
Sewer Back-up (Halls):	$	2,500
Total Insured Values:	$	738,036,961
Premium:	$	**882,436**

*Sub-limits are included and not in addition to the policy limit.

General Liability (Museums) – Praetorian Insurance Company
Policy No. H981000557-01
Covers Scheduled Grand Lodge Museums Only

General Liability

General Aggregate:	$	5,000,000
Products/Completed Operations Aggregate:	$	1,000,000
Each Occurrence:	$	1,000,000
Personal & Advertising Injury:	$	1,000,000
Damage To Premises Rented To You:	$	1,000,000
Medical Expense:	$	10,000
Premium:		**Included with Property**

Excess Property Policy – Homeland Ins. Co. of NY (Non-Admitted)
Policy No. 795000028
Covers Grand Lodge/Masonic Homes/Acacia Creek/Halls – All Risk Perils Only

Policy Limit:	$	100,000,000
Excess of:	$	*100,000,000*
Deductible:		Same as Primary
Margin Clause:		130% Halls Only
Premium:	$	**65,000 plus taxes**

DIC (Earth Movement/Flood) – Grand Lodge/Masonic Homes Only
Westchester (Non-Admitted) Policy No. D37395523002 - $10M
Alterra E&S (Non-Admitted) Policy No. MAX4XP0062604 - $5M p/o $10M xs $10M
Maiden Re (Non-Admitted) Policy No. S1EDY0274402S - $5M p/o $10M xs $10M
Covers Grand Lodge/Masonic Homes Only

Policy Limit:	$	20,000,000
Deductible:		5%/$100,000
Total Insured Values:	$	206,418,530
Premium:	$	**712,750 plus taxes**

DIC (Earth Movement/Flood) – Acacia Creek Only
Arch (Non-Admitted) Policy No. ESP0049269-01 - $5M p/o $10M
Colony (Non-Admitted) Policy No. DC261293 - $5M p/o $10M
Alterra E&S (Non-Admitted) Policy No. MAX4XP0062606 - $5M p/o $10M xs $10M
Landmark (Non-Admitted) Policy No. LHQ418977 - $5M p/o $10M xs $10M
Covers Acacia Creek Only

Policy Limit:	$	20,000,000
Deductible:		5%/$100,000
Total Insured Values:	$	103,739,971
Premium:	$	**261,250 plus taxes**

Workers' Compensation – United State Fire Ins. Co.
Masonic Homes/Acacia Creek - Policy No. [illegible] (Deductible Program)

Employers Liability:	$	1,000,000
Deductible (MH/AC Only):	$	250,000
Policy Agg./Maximum Deductible (MH/AC Only):	$	1,700,000
Estimated Annual Payroll (MH/AC Only):	$	16,109,376
Estimated Annual Premium (Fixed Costs):	$	**290,185**

Workers' Compensation - Wausau Underwriters Ins. Co.
Grand Lodge – Policy No. WCJ-Z91-445049-043 (Guaranteed Cost)

Employers Liability:	$	1,000,000
Deductible:	$	0
Estimated Annual Payroll (Grand Lodge Only):	$	6,760,564
Estimated Annual Premium:	$	**58,740**

General Liability (Grand Lodge & Halls) – Wausau Underwriters Ins. Co.
Policy No. TBJ-Z91-445049-033
Covers Grand Lodge & Halls Only

General Liability

General Aggregate:	$	2,000,000
Per Location Aggregate Subject to Cap:	$	15,000,000
Products/Completed Operations Aggregate:	$	2,000,000
Each Occurrence:	$	1,000,000
Personal & Advertising Injury:	$	1,000,000
Damage To Premises Rented To You:	$	1,000,000
Medical Expense:	$	10,000
Premium:	$	**328,057**

Employee Benefits (Claims Made)

Each Employee:	$	1,000,000
Annual Aggregate:	$	2,000,000
Deductible:	$	*0*
Retroactive Date:		7/1/2000
Premium:		**Included Above**

Business Automobile – Wausau Underwriters Ins. Co.
Policy No. ASC-Z91-445049-023
Covers Grand Lodge/Masonic Homes/Acacia Creek/Hall Associations
Halls covered for Non-Owned/Hired Only

Combined Auto Liability Single Limit:	$	1,000,000
Auto Medical Payment Each Person:	$	5,000
Uninsured Motorists:	$	1,000,000
Physical Damage:		Actual Cash Value
Deductibles:		
Comprehensive ($2,500 for buses over 21 Pass.):	$	*1,000*
Collision ($2,500 for buses over 21 Pass.):	$	*1,000*
Comp./Collision for Non-Owned/Hired:	$	*1,000*
Number of Vehicles:	$	*23*
Provisional Premium:	$	**76,225**

Umbrella Liability – National Union Fire Ins. Co.
Policy No. BE011566520
Covers Grand Lodge and Hall Associations for GL
Covers Grand Lodge/Masonic Homes/Acacia Creek/Hall Associations for Auto
Covers Grand Lodge/Masonic Homes/Acacia Creek for WC

Each Occurrence:	$	25,000,000
General Aggregate:	$	25,000,000
Crisis Response:	$	250,000
Self Insured Retention:	$	10,000
Premium:	$	**92,000**

Fiduciary Liability – Great American Ins. Co.
Policy No. FDP6660691 (Claims Made)
Covers Grand Lodge/Masonic Homes/Acacia Creek

Limit of Liability:	$	5,000,000
Pending or Prior Date:		1/1/1987
Retention – Insured Persons Non-Indemnifiable:	$	*0*
Retention – Company, Plan or IP for Indemnifiable:	$	*5,000*
Premium:	$	**9,089**

Dated: 6/1/12

This document is a brief synopsis of coverage only; the policy or policies contain additions, exclusions and/or limitations that are not shown here. Please contact Marsh Risk & Insurance Services with any coverage questions.

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Grand Lodge Free & Accepted Masons of California and Masonic Homes of California
April 1, 2013 to April 1, 2014 Insurance Summary

Directors & Officers Liability (Grand Lodge) incl. EPLI
Federal Ins. Co. - Policy No. 8208-1512 (Claims Made)
Covers Grand Lodge/Masonic Homes/Acacia Creek

Combined Maximum Aggregate D&O/EPLI:	$	3,000,000
D&O Limit of Liability / Agg. Incl Defense Costs:	$	3,000,000
EPLI Limits of Liability / Agg.:	$	2,000,000
Retention (Grand Lodge/Masonic Homes:)	$	*50,000*
Retention (Individual Lodges):	$	*10,000*
Pending/Prior Date:		7/1/97
Premium:	$	**85,651**

Crime (Grand Lodge) – Federal Ins. Co.
Policy No. 8208-1512
Covers Grand Lodge/Masonic Homes/Acacia Creek

Employee Theft:	$	2,000,000
Forgery Coverage:	$	2,000,000
Premises Coverage:	$	2,000,000
Transit Coverage:	$	2,000,000
Computer Fraud/Funds Transfer Fraud:	$	2,000,000
Money Orders/Counterfeit Paper Currency:	$	2,000,000
Deductible – Grand Lodge / Masonic Homes:	$	10,000
Deductible – Individual Lodges:	$	10,000
Premium:	$	**41,806**

Directors & Officers Liability (Hall Associations) Incl. EPLI
Federal Ins. Co. - Policy No. 8208-1493 (Claims Made)
Covers Hall Associations Only

Limit of Liability / Aggregate Incl Defense Costs:	$	1,000,000
Retention:	$	*10,000*
Pending/Prior Date:		8/1/05
Premium:	$	**40,931**

Crime (Hall Associations) – Federal Ins. Co.
Policy No. 8208-1493
Covers Hall Associations Only

Employee Theft:	$	1,000,000
Forgery Coverage:	$	1,000,000
Premises Coverage:	$	1,000,000
Transit Coverage:	$	1,000,000
Computer Fraud/Funds Transfer Fraud:	$	1,000,000
Money Orders/Counterfeit Paper Currency:	$	1,000,000
Deductible – Hall Associations:	$	25,000
Premium:	$	**25,841**

Masonic Homes – General Liability & Professional Liability - Lloyds (Non-Admitted)
Policy No. QG004813 (Claims Made)
Covers Masonic Homes Only

Professional Liability Per Claim Limit:	$	5,000,000	
Professional Liability in the Aggregate Annual Limit:	$	5,000,000	
General Liability Per Claim Limit:	$	5,000,000	
General Liability in the Aggregate Limit:	$	5,000,000	
Products/Completed Ops. Aggregate Limit:	$	1,000,000	
Fire Damage Limit:	$	100,000	
Medical Expense:		Excluded	
Subject to an Overall Aggregate Limit of:	$	5,000,000	
Self Insured Retention Each Medical Incident:	$	500,000	
Retroactive Date (Adult Homes):		7/1/2002	
Retroactive Date (Sexual Abuse & Childrens Hm PL):		7/1/2003	
Retroactive Date (Childrens Hm GL):		4/1/2009	
Sexual Abuse Coverage:		Included	
Premium:	$	**233,457**	**plus taxes**

Masonic Homes – Excess General Liability & Professional Liability - Lloyds (Non-Admitted)
Policy No. QG004913 (Claims Made)
Covers Masonic Homes Only

Per Claim Limit:	$	5,000,000	
In the Annual Aggregate Limit:	$	5,000,000	
Excess Of:		*$5M / $5M*	
Excess of Self Insured Retention:	$	*500,000*	
Sexual Abuse Coverage:		Included	
Retroactive Date (For Increased Limits):		4/1/11	
Premium:	$	**50,000**	**plus taxes**

Acacia Creek – General Liability & Professional Liability – Illinois Union (Non-Admitted)
Policy No. HPLG23639154003 (Claims Made)
Covers Acacia Creek Only

Professional Liability Per Incident Limit:	$	1,000,000	
Professional Liability Aggregate Limit:	$	3,000,000	
Sexual Abuse Sub-Limit:	$	1,000,000	
Liquor Liability – Each Common Cause/Agg.:	$	1,000,000	
General Liability – Each Occurrence Limit:	$	1,000,000	
General Liability – General Aggregate	$	3,000,000	
Products/Completed Ops. Aggregate:	$	1,000,000	
Personal/Advertising Limit:	$	3,000,000	
Medical Payments:	$	5,000	
Deductible Each Professional Incident:	$	10,000	
Retroactive Date:		2/15/2010	
Premium:	$	**38,500**	**plus taxes**

Acacia Creek – Excess General Liability & Professional Liability – Illinois Union (Non-Admitted)
Policy No. XHLG23639166003 (Claims Made)
Covers Acacia Creek Only

Each Loss Event:	$	4,000,000	
Aggregate Limit:	$	4,000,000	
Excess Of:	$	*1M / $3M*	
Excess of Deductible:	$	*10,000*	
Sexual Abuse Coverage:		Included	
Premium:	$	**46,500**	**plus taxes**

MCYF - General Liability & Professional Liability – Lexington Ins. Co. (Non-Admitted)
Policy No. 6796873 (PL Claims-Made/GL Occurrence)
Covers Masonic Center for Youth & Families Only

Professional Liability Each Medical Incident Limit:	$	1,000,000	
Professional Liability Aggregate Limit:	$	3,000,000	
Sexual Abuse:		Included	
General Liability – Each Occurrence Limit:	$	1,000,000	
General Liability – General Aggregate	$	3,000,000	
Products/Completed Ops. Aggregate:	$	1,000,000	
Personal/Advertising Limit:	$	1,000,000	
Deductible::		None	
Retroactive Date:		10/1/2010	
Premium:	$	**9,041**	**plus taxes**

MCYF – Excess General Liability & Professional Liability – Lexington Ins. Co. (Non-Admitted)
Policy No. 6796874
Covers Masonic Center for Youth & Families Only

Each Medical Incident/Occurrence:	$	5,000,000	
General Aggregate Limit:	$	5,000,000	
Excess Of:	$	*1M / $3M*	
Sexual Abuse Coverage:		Included	
Premium:	$	**25,000**	**plus taxes**

Dated: 6/1/12

This document is a brief synopsis of coverage only; the policy or policies contain additions, exclusions and/or limitations that are not shown here. Please contact Marsh Risk & Insurance Services with any coverage questions.

ACACIA CREEK, A SENIOR LIVING COMMUNITY

CONTINUING CARE CONTRACT ANNUAL REPORT

PART 4

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CONTRACTS BRANCH

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

Masonic Homes of California and Subsidiaries

October 31, 2013 and 2012

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REPORT OF INDEPENDENT AUDITORS

To the Audit Committee
Masonic Homes of California and Subsidiaries

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Masonic Homes of California and Subsidiaries (collectively the "Organization'), which comprise the consolidated statement of financial position as of October 31, 2013, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Masonic Homes of California and Subsidiaries as of October 31, 2013, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Report on Summarized Comparative Information

We have previously audited the Organization's 2012 consolidated financial statements and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated February 26, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2012, is consistent, in all material respects, with the audited consolidated financial statements, from which it has been derived.

Other Matters - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position, consolidating statements of activities and changes in net assets, and consolidating statements of cash flows are presented for purposes of additional analysis and are not a required part of the basic consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The accompanying supplemental schedules of program expenses and supporting services expenses are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of the Organization's management. We did not audit or apply limited procedures to such information and we do not express an opinion or any form of assurance on them.

Moss Adams LLP

San Francisco, California
February 25, 2014

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CONSOLIDATED FINANCIAL STATEMENTS

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
October 31, 2013 (With Summarized Comparative Information as of October 31, 2012)
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	October 31, 2013 Consolidated	October 31, 2012 Total Consolidated Comparative Totals Only
Assets					
Current assets					
Cash and cash equivalents - unrestricted	$ 5,200	$ -	$ -	$ 5,200	$ 6,472
Assets limited to use	270	-	-	270	-
Funds held for residents	706	-	-	706	826
Receivables, net	694	-	-	694	535
Prepaid expenses and other assets	899	-	-	899	1,024
Related entities receivable	735	-	-	735	-
Assets held for sale	5,076	-	-	5,076	1,726
Total current assets	13,580	-	-	13,580	10,583
Investments, at fair value	694,832	3,405	147,359	845,596	754,769
Property and equipment, net	159,763	-	-	159,763	167,120
Assets held in trusts	-	12,715	666	13,381	12,586
Funds held for residents	878	-	-	878	956
Other assets	3,567	-	-	3,567	825
Total assets	$ 872,620	$ 16,120	$ 148,025	$ 1,036,765	$ 946,839
Liabilities and net assets					
Current liabilities					
Accounts payable and accrued liabilities	$ 3,735	$ -	$ -	$ 3,735	$ 2,704
Accrued payroll and benefits payable	4,421	-	-	4,421	4,593
Related entities payable	50	-	-	50	773
Total current liabilities	8,206	-	-	8,206	8,070
Unfunded pension obligation	6,000	-	-	6,000	10,898
Liability to beneficiaries of split-interest agreements	-	3,142	462	3,604	3,438
Swap derivative liability	-	-	-	-	17,700
Long-term debt	104,263	-	-	104,263	93,625
Liability for funds held for residents	878	-	-	878	956
Refundable advance fees	23,805	-	-	23,805	16,732
Deferred revenue	25,571	-	-	25,571	20,465
Total liabilities	168,723	3,142	462	172,327	171,884
Net assets	703,897	12,978	147,563	864,438	774,955
Total liabilities and net assets	$ 872,620	$ 16,120	$ 148,025	$ 1,036,765	$ 946,839

See accompanying notes.

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended October 31, 2013
(With Summarized Comparative Information for the Year Ended October 31, 2012)
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	October 31, 2013 Total	October 31, 2012 Consolidated Comparative Totals Only
Public support and revenue					
Contributions	$ 45	$ 518	$ 54	$ 617	$ 893
Bequests and memorials	2,208	994	502	3,704	11,604
Amortization of deferred revenue from assigned assets	2,400	-	-	2,400	2,414
Amount received from pensions assigned by resident	4,595	-	-	4,595	4,527
Investment income	15,908	191	-	16,099	11,833
Net realized gain (loss) on investments	29,631	154	-	29,785	(7,271)
Fee for service	4,701	-	-	4,701	3,159
Royalty and other income	5,904	-	-	5,904	5,570
Change in value of split-interest agreements	-	647	-	647	663
Net assets released from restriction	1,606	(1,606)	-	-	-
Total public support and revenue	66,998	898	556	68,452	33,392
Expenses					
Program					
Operation of Acacia Creek and Masonic Homes	39,985	-	-	39,985	38,572
Masonic Outreach Services	7,764	-	-	7,764	7,686
Scholarship	164	-	-	164	268
Total program expenses	47,913	-	-	47,913	46,526
Supporting services					
Marketing	921	-	-	921	890
Fundraising	856	-	-	856	689
Administration	5,494	-	-	5,494	5,320
Total supporting services expenses	7,271	-	-	7,271	6,899
Total expenses	55,184	-	-	55,184	53,425
Excess of revenues (deficit) over expenses before other items	11,814	898	556	13,268	(20,033)
Write-off of unamortized portion of 2008 bond issuance cost	(1,277)	-	-	(1,277)	-
Interest expense	(3,289)	-	-	(3,289)	(3,407)
Net unrealized gain on investments	67,728	758	-	68,486	63,626
Excess of revenues over expenses before other changes in net assets	74,976	1,656	556	77,188	40,186
Change in unfunded pension obligation- net	4,926	-	-	4,926	(3,760)
Noncash change in swap derivative liability	7,369	-	-	7,369	(3,093)
Change in net assets	87,271	1,656	556	89,483	33,333
Net assets at beginning of year	616,626	11,322	147,007	774,955	741,622
Net assets at end of year	$ 703,897	$ 12,978	$ 147,563	$ 864,438	$ 774,955

See accompanying notes.

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended October 31, 2013 and 2012
(In Thousands)

	2013	2012
Cash flows from operating activities		
Contributions received	$ 4,176	$ 12,385
Net proceeds from assigned assets	11,904	3,774
Amounts received from assigned assets	4,595	7,615
Investment income received	16,099	11,833
Fee for service	4,701	3,159
Royalty and other income	5,235	4,497
Cash paid for operating expenses	(52,750)	(49,333)
Net cash used in operating activities	(6,040)	(6,070)
Cash flows from investing activities		
Net proceeds from sales of investments	61,364	28,486
Purchase of investments	(53,919)	(22,356)
Proceeds from sales of equipment	3	6
Purchase of equipment/construction	(2,462)	(3,039)
Change in assets limited in use	(270)	-
Net cash provided by investing activities	4,716	3,097
Cash flows from financing activities		
Deposits refunded to residents	(78)	(396)
Funds held for residents	198	381
Bonds interest costs	(375)	(2)
Swap Derivative termination payments	(10,331)	-
Retirement of 2008 A Bond Series	(93,625)	-
Proceeds from 2013 bond private placement	104,263	-
Net cash provided by (used in) financing activities	52	(17)
Net decrease in cash and cash equivalents	(1,272)	(2,990)
Cash and cash equivalents, beginning of year	6,472	9,462
Cash and cash equivalents, end of year	$ 5,200	$ 6,472
Reconciliation of increase in net assets to net cash provided by (used in) operating activities		
Change in net assets	$ 89,483	$ 33,333
Adjustment to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	8,574	8,498
Amortization of deferred revenue	(2,400)	(2,414)
Gain on disposal of property and equipment	(1)	2
Realized and unrealized gain on investments	(98,272)	(56,355)
Unrealized (gain) loss on a cash flow hedge	(7,369)	3,093
Change in unfunded pension obligation	(4,898)	1,977
Write off of 2008 A Bond Series issuance cost	1,277	
Changes in assets and liabilities		
Receivables, net	(158)	(107)
Prepaid expenses and other assets	(2,276)	30
Related entities receivable and payable	(1,458)	189
Assets held for sale	(3,350)	675
Assets held in trust	(794)	(645)
Accounts payable and accrued liabilities	858	564
Liability to beneficiaries of split interest agreements	165	167
Deferred revenue from assigned assets, net	14,579	4,923
Net cash used in operating activities	$ (6,040)	$ (6,070)

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and organization – Masonic Homes of California ("Masonic Homes"), a California not-for-profit corporation, operates a home for adults in Union City, California, and a home for adults in Covina, California. The Masonic Homes is supported by The Grand Lodge of Free and Accepted Masons of the State of California (the "Grand Lodge") and members of the Masonic Fraternity in California.

Masonic Homes is subject to statutory reserve requirements. As of October 31, 2013, Masonic Homes' reserves, as calculated in accordance with Continuing Care Contract Statutes of the California Health and Safety Code, were in excess of such requirements.

Masonic Homes affiliated with Acacia Creek, A Masonic Retirement Living Community at Union City ("Acacia Creek – UC") by becoming the sole shareholder of Acacia Creek – UC. Masonic Homes owns Acacia Creek – UC with the purpose of serving the housing needs of the elderly with independent, assisted living and dementia units. Acacia Creek – UC is included in the consolidated financial statements of Masonic Homes for the years ended October 31, 2013 and 2012.

Principles of consolidation – The consolidated financial statements include the accounts of Masonic Homes of California and Acacia Creek – UC (collectively, the "Organization"). All significant inter-company accounts and transactions have been eliminated.

Comparative information – The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended October 31, 2012, from which the summarized information was derived.

Net asset classifications – The accompanying consolidated financial statements have been prepared in accordance with the standards set forth in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-605 *"Revenue Recognition,"* and ASC 958-205 *"Presentation of Financial Statements"* and the guidelines set forth in the industry audit and accounting guide *"Health Care Organizations"* issued by the American Institute of Certified Public Accountants ("AICPA"). Under these guidelines, contributions of cash and other assets are classified as one of the following three categories:

> *Unrestricted* – Unrestricted net assets represent resources that are not subject to donor-imposed restrictions and are available to support Masonic Homes' activities.
>
> *Temporarily restricted* – Temporarily restricted net assets represent contributions that are limited in use in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Organization according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and reported as unrestricted. If a restriction is fulfilled in the same fiscal year in which the contribution was received, the contribution is reported as temporarily restricted support and net assets released from restrictions in that period.
>
> *Permanently restricted* – Permanently restricted net assets represent contributions to be held in perpetuity as directed by the donor.

Use of estimates – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Estimates included in these consolidated financial statements relate to fair market value of investments, estimated fair values of interest rate swap derivative liabilities, minimum pension liabilities, liability to beneficiaries of split-interest agreements in various charitable remainder trusts, fair market value of real and personal property assigned by residents, the useful life of property and equipment, and allocations of functional expenses. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments – The carrying amounts reported in the accompanying consolidated statement of financial position for cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and related entities receivables and payables, approximate fair value due to their short-term nature. Discussion on the fair value of financial instruments is included in Note 3.

Cash and cash equivalents – Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less at the time of purchase, with the exception of cash and cash equivalents held in the endowment fund as investments or whose use is restricted.

Cash and cash equivalents consisted of the following as of October 31:

	2013 (In Thousands)	2012 (In Thousands)
Operating cash	$ 1,551	$ 1,420
Money market	3,649	5,052
Total cash and cash equivalents - unrestricted	$ 5,200	$ 6,472

Assets limited to use – Assets limited to use consists of funds to be used for certain issuance costs funded from proceeds related to the Variable Rate Revenue Bonds, Series 2013A (Note 13).

Receivables, net – The Organization receives payment for health services from residents, insurance companies, Medicare, Medi-Cal, HMOs, and other third-party payors. As a result, the Organization is exposed to certain credit risks. The Organization manages its risk by regularly reviewing its accounts receivable and on a periodic basis, evaluates its accounts receivable and establishes an allowance for uncollectible accounts, based on a history of past write-offs and collections. Past due status is based upon the date of services provided. Uncollectible receivables are charged off when deemed uncollectible. Recoveries from previously charged-off accounts are recorded when received.

Funds held for residents – Funds held for residents include residents' accounts at Union City, Covina, and Acacia Creek - UC, which comprise of (a) deposits made by residents for a unit in Acacia Creek - UC (b) unexpended portions of monthly allowances made to residents or other income earned by residents. A corresponding liability related to deposits for Acacia Creek - UC units is reported as liability for funds held for residents while a corresponding liability for the unexpended portion of monthly allowances is included in accounts payable and accrued liabilities (Note 2).

Prepaid expenses and other assets – Prepaid expenses and other assets consist primarily of pension prepayments and intangible assets, insurance premium prepayments, notes receivable and resident-assigned assets awaiting liquidation. Other assigned assets are recorded at fair market value on the date of assignment.

Assets held for sale – Assets held for sale consist primarily of tangible property received from residents, including residential real estate that is held for sale. Assets are recorded at 80% to 90% of appraised value on the date of assignment with the intention of liquidating within 180 days.

Investments – Investments in debt and equity securities are stated at estimated fair market values based on quoted market prices. Investments received through gifts are recorded at estimated fair market values at the dates of donation. The fair value of alternative investments is recorded at the investment manger's Net Asset Value ("NAV"), as the managers have the greatest insight into the investments of their funds and the related industry, and have the appropriate expertise to determine the NAV. The Organization assesses the NAV and takes into consideration events such as suspended redemptions, restructuring, secondary sales, and investor defaults to determine if an adjustment is necessary. Additionally, asset holdings are reviewed within investment manager's audited financial statements, as are interim financial statements and fund manager communications, for the purposes of assessing valuation. Unrealized gains or losses that result from market fluctuations are recorded in the period in which such fluctuations occur. Realized gains or losses resulting from sales or maturities of securities are calculated on a cost basis.

Property and equipment – Property and equipment are carried at cost. Purchases of property and equipment amounting to $1,000 and above are capitalized and depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 50 years
Equipment	3 - 35 years
Furniture and fixtures	5 - 20 years
Vehicles	3 - 4 years

The Organization evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset.

Assets held in trusts – Assets held in trusts represent the assets used to satisfy the liability to beneficiaries of split-interest agreements. When a donor establishes a split-interest agreement where the Masonic Homes is the trustee the lump sum received by the donor is invested separately (Note 5).

Professional liability insurance – The Organization insures for professional liability claims under a "claims-made policy". The policy covers only those claims actually reported during the policy term up to $5,000,000 subject to a $500,000 self-insured retention ("SIR"). Should this policy not be renewed or replaced with equivalent insurance, claims made outside of the policy period may be uninsured. Management's intention is to continue insuring for professional liability exposures at all times. Management is not aware of any pending claims that exceed the coverage limitations provided by the policy. Management is of the opinion that the impact, if any, of unknown claims is immaterial and any settlement would not have a material adverse effect on the Organization's financial position. Management's estimate of the Organization's liability for expected losses is based on historical claims experience. At this time there are no accruals for liability included in accounts payable and accrued liabilities nor are any insurance receivables recorded in the consolidated financial statements of the Organization.

Workers' compensation insurance – The Organization insures for workers' compensation claims under a "claims-made policy "in compliance with the workers' Compensation Law of the State of California. The policy covers only those claims actually reported during the policy term up to $1,000,000 subject to a $250,000 deductible per occurrence. Under California Law workers' compensation coverage must be carried by all employers, therefore if this policy was not renewed, replacement coverage would need to be secured. There are no accruals for unreported claims accounts payable and accrued liabilities in the consolidated financial statements of the organization. Under the program the Organization pays its claims and costs falling under the $250,000 deductible as incurred and no accruals have been made nor reserves established in the financial statements of the organization for any open claims which that have not reached the $250,000 deductible threshold. The organization pays for claims and increases in reserves held by the insurance company on a quarterly basis regardless of the policy year the claim was filed. Management is of the opinion that the impact, if any, of unreported claims or open claims is immaterial and would not have an adverse impact on the Organization's financial position.

Deferred revenue from pooled income fund – Deferred revenue from pooled income fund represents the discount for future investment earnings on Masonic Homes' remainder interest in the Masonic Homes Pooled Income Fund (the "Pooled Income Fund") (Note 5). Masonic Homes has determined the amount deferred using the tax deduction methodology from Internal Revenue Service ("IRS") Publication 1457 tables, and a discount rate of 3.665% and 4.67% as of October 31, 2013 and 2012, respectively. Deferred revenue from pooled income fund included in liability to beneficiaries of split-interest agreements in the consolidated statements of financial position was $388,200 and $461,993 as of October 31, 2013 and 2012, respectively.

Liability to beneficiaries of split-interest agreements – Liability to beneficiaries of split-interest agreements represents the income beneficiaries' interest in various charitable remainder trusts of which Masonic Homes is the trustee (Note 5). The liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. Masonic Homes has determined the amount of the liability using the tax deduction methodology from IRS Publication 1457, Table S, or IRS Publication 1458, Table D, as applicable, and using a discount rate of 6.00% as of October 31, 2013 and 2012.

Obligation to provide future services to current residents – The Organization is required to accrue a liability in the consolidated financial statements to cover future services for current residents if deferred residency fees plus future anticipated income are not sufficient to cover these costs. Management has determined that no such accrual is required in the accompanying consolidated financial statements.

Revenue recognition

Masonic Homes

Residency fees – The adult residents who enter Masonic Homes are required by a life-care agreement to assign 75% of their assets to Masonic Homes in exchange for continuing care for the remainder of their lives. In the event that a continuing care contract is canceled by the resident through withdrawal within the first 90 days of residency, the resident is entitled to a pro-rata refund of all his or her assigned assets. As of October 31, 2013 and October 31, 2012, deferred revenues from assigned assets subject to refund, were $3,137,803 and $334,555, respectively. The remaining portion is amortized over the life of the resident and is included in deferred revenue.

The fair-market value of real and personal property assigned to Masonic Homes by residents entering into a continuing care contract is deferred and amortized over the actuarially determined individual or joint and last survivor life expectancy (using the straight-line method), with any unamortized balance recognized as income upon death of the individual or last survivor.

Fee for service – Masonic Homes – Financially qualified adult residents may enter Masonic Homes by paying a monthly rental fee; such amounts vary with an option to pay an entrance fee. In the event of withdrawal, residents are refunded entrance fees ratably over the first 36 or 60 months.

Assigned retirement benefits – Resident retirement benefits that are assigned to Masonic Homes are recognized when received. These amounts are generally received in the form of annuity payments.

Acacia Creek

Entrance fees – Acacia Creek – The adult residents who enter and sign a Residence and Care agreement are allowed a 90-day trial period during which the resident may leave the community at their discretion and receive, upon written notice, a refund of all fees less a reasonable processing fee and fees for the value of services rendered during occupancy. The majority of the adult resident entrance fees are refundable ranging from 50% to 100% upon the resident's death or termination of the contract. Acacia Creek is required to refund the entrance fees when the unit is re-sold. As of October 31, 2013 and 2012, refundable entrance fees subject to refund were $23,804,997 and $16,731,817, respectively. The nonrefundable portion is amortized over the life of the resident and is included in deferred revenue.

Fee for service – Acacia Creek – Acacia Creek-UC offers a variety of living accommodations, fine amenities, a comprehensive Wellness Program, and several types of support and health care. Resident pays 1) a monthly fee, which varies according to the size and type of apartment selected and by the level of care needed, and 2) fees for optional services, if applicable.

Contributions – The Organization records contributions in accordance with ASC 958-605, *Revenue Recognition.* In accordance with ASC 958-605, contributions, including unconditional promises to give, are recorded in the period made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Recognition of donor-restricted contributions – Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Functional expense allocations – Expenses, such as depreciation, supplies, personnel, and occupancy costs, are allocated among program services and supporting services classifications on the basis of time records and on estimates made by the Organization's management.

Concentration of credit risk – Financial instruments potentially subjecting the Organization to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation ("FDIC") insurance thresholds, cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds, and various debt and equity investments in excess of Securities Investor Protection Corporation ("SIPC") insurance. Demand deposits are placed with a local financial institution, and management has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the consolidated financial statements. The risk associated with the investments is mitigated through diversification.

Tax-exempt status – Masonic Homes and Acacia Creek – UC are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of California Revenue and Taxation Code and have been granted tax-exempt status by the IRS and the California Franchise Tax Board ("FTB"). Accordingly, no provision for income taxes is included in the consolidated financial statements.

On July 1, 2008, the Organization adopted ASC 740, *Income Taxes.* This statement is effective for fiscal years beginning after December 15, 2006. The interpretation establishes a single model to address accounting for uncertainty in income tax positions. It prescribes a minimum recognition threshold that an income tax position is required to meet before being recognized in the consolidated financial statements. To recognize the position, the filing position would be sustained upon examination. The interpretation also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition of uncertain tax positions. There was no impact as a result of adopting the provisions of the interpretation.

New accounting pronouncements – In August 2010, the FASB issued Accounting Standards Update ("ASU") 2010-24, *Healthcare Entities: Presentation of Insurance Claims and Related Insurance Recoveries.* The amendments in the ASU clarify that a healthcare entity may not net insurance recoveries against related claim liabilities. In addition, the amount of the claim liability must be determined without consideration of insurance recoveries. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2010. A cumulative-effect adjustment should be recognized in opening retained earnings if a difference exists between any liabilities and insurance recoveries; however, retrospective application is permitted. The Organization adopted the provisions of ASU 2010-24 for the fiscal year ended October 31, 2012. The adoption did not have a material impact on the Organization's consolidated financial statements.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"), which amended ASC Topic 820, Fair Value Measurement ("ASC 820") to change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The adoption of ASU 2011-04 is effective for the Organization beginning November 1, 2012. The adoption did not have a material impact on the Organization's consolidated financial statements.

In July 2012, the FASB issued ASU No. 2012-01, Health Care Entities (Topic 954), *Continuing Care Retirement Communities – Refundable Advance Fees.* The amendments in this update clarify that an entity should classify an advance fee as deferred revenue when a continuing care retirement community has a resident contract that provides for payment of the refundable advance fee upon reoccupancy by a subsequent resident, which is limited to the proceeds of reoccupancy. In addition, refundable advance fees that are contingent upon reoccupancy by a subsequent resident but are not limited to the proceeds of reoccupancy should be accounted for and reported as a liability. The adoption of ASU 2012-01 is effective for the Organization beginning November 1, 2012. The adoption did not have a material impact on the Organization's consolidated financial statements.

Reclassification – Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

NOTE 2 – FUNDS HELD FOR RESIDENTS

Funds held for residents consisted of the following as of October 31:

	2013 (In Thousands)	2012 (In Thousands)
Acacia Creek - UC	$ 878	$ 956
Masonic Homes Union City	52	107
Masonic Homes Covina	654	719
	$ 1,584	$ 1,782

NOTE 3 – INVESTMENTS

Investments are presented at fair value and consist of corporate stocks, fixed income securities, and institutional mutual funds that invest primarily in diversified portfolios of fixed income securities, corporate stocks, and real estate.

Investments consisted of the following as of October 31:

	2013 (In Thousands)	2012 (In Thousands)
Corporate stocks	$ 295,885	$ 266,949
Equity mutual funds	186,112	155,756
Alternative investments	128,098	112,021
Fixed income mutual funds	235,501	220,043
Total investments	$ 845,596	$ 754,769

Alternative investments are less liquid than the Organization's other investments. The following table summarizes these investments by investment strategy type at October 31:

	2013 (In Thousands)		2012 (In Thousands)	
Alternative investment strategy	Number of funds		Number of funds	
Real estate investment trust	1	$ 39,016	1	$ 36,623
Hedge fund of funds	2	47,680	1	39,128
Managed Futures	1	41,402	2	36,270
Total alternative investments	4	$ 128,098	4	$ 112,021

The following table shows the gross unrealized losses and fair value of investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category, and length of time that individual securities have been in a continuous unrealized loss position, at October 31, 2013 and 2012:

	2013 (In Thousands)					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate stocks	$ -	$ -	$ -	$ -	$ -	$ -
Fixed income mutual funds	118,980	(489)	-	-	118,980	(489)
Alternative investments	-	-	39,015	(3,904)	39,015	(3,904)
Total temporarily impaired investments	$ 118,980	$ (489)	$ 39,015	$ (3,904)	$ 157,995	$ (4,393)

	2012 (In Thousands)					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate stocks	$ 1,774	$ (3)	$ 111,722	$ (203)	$ 113,496	$ (206)
Fixed income mutual funds	1,157	(56)	73,982	(3,516)	75,139	(3,572)
Alternative investments	-	-	36,623	(5,973)	36,623	(5,973)
Total temporarily impaired investments	$ 2,931	$ (59)	$ 222,327	$ (9,692)	$ 225,258	$ (9,751)

Equity mutual funds – These funds are comprised of both U.S. and Global Mutual Funds. The Organization's Investment Policy states the Masonic Homes believes the capital markets are "mean-reverting" by nature. Therefore they adhere to long-term asset allocation strategies and periodic, regular rebalancing. The Masonic Homes believes market timing is ineffective as a long-term investment strategy and will remain fully invested in all long-term mandates.

Alternative investments – These funds are comprised of Real Estate, Hedge Fund of Funds, and Managed Futures. The Organization's Investment Policy states the Masonic Homes believes the capital markets are "mean-reverting" by nature. Therefore they adhere to long-term asset allocation strategies and periodic, regular rebalancing. The Masonic Homes believes market timing is ineffective as a long-term investment strategy and will remain fully invested in all long-term mandates.

As of October 31, 2013, the fair market of the investments and assets held in trust was $858,976,365. As of December 31, 2013, fair market value of the investments and assets held in trust outstanding was $864,274,466.

ASC 820 *Fair Value Measurements and Disclosures* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value per share (or its equivalent) with the ability to redeem the investment in the near term.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Available-for-sale securities/assets held in trust – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include certain real estate investments, hedge fund of funds, and other less liquid securities.

Interest rate swap agreement – The fair value is estimated by a third party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at October 31:

	2013 (In Thousands)			
	Fair Value	Level 1	Level 2	Level 3
Available-for-sale				
Corporate stocks				
Domestic Stocks	$ 127,337	$ 127,337	$ -	$ -
Foreign Stocks	168,547	167,476	1,071	-
Equity mutual funds				
Domestic equity	95,902	7,033	88,869	-
Foreign equity	90,211	90,211	-	-
Alternative investments	128,098	-	39,015	89,083
Fixed income mutual funds	235,501	235,501	-	-
Total available for sale - investments	845,596	627,558	128,955	89,083
Assets held in trust				
Corporate stocks				
Domestic stocks	624	624	-	-
Foreign stocks	-	-	-	-
Equity mutual funds				
Domestic stocks	4,793	4,793	-	-
Foreign stocks	1,756	1,756	-	-
Alternative investments	233	233	-	-
Fixed income mutual funds	5,567	5,567	-	-
Money market accounts	408	408	-	-
Total assets held in trust	13,381	13,381	-	-
Interest rate swap	-	-	-	-
Total	$ 858,977	$ 640,939	$ 128,955	$ 89,083

	2012 (In Thousands)			
	Fair Value	Level 1	Level 2	Level 3
Available-for-sale				
Corporate stocks				
Domestic Stocks	$ 113,719	$ 113,719	$ -	$ -
Foreign Stocks	153,230	152,310	920	-
Equity mutual funds				
Domestic equity	79,654	6,811	72,843	-
Foreign equity	76,102	76,102	-	-
Alternative investments	112,020	-	36,623	75,397
Fixed income mutual funds	220,044	185,073	34,971	-
Total available for sale - investments	754,769	534,015	145,357	75,397
Assets held in trust				
Corporate stocks				
Domestic stocks	602	602	-	-
Foreign stocks	-	-	-	-
Equity mutual funds				
Domestic stocks	4,189	4,189	-	-
Foreign stocks	1,717	1,717	-	-
Alternative investments	206	206	-	-
Fixed income mutual funds	5,452	5,452	-	-
Money market accounts	420	420	-	-
Total assets held in trust	12,586	12,586	-	-
Interest rate swap	(17,700)	-	(17,700)	-
Total	$ 749,655	$ 546,601	$ 127,657	$ 75,397

The following table reconciles the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated financial statements using significant unobservable (Level 3) inputs:

	Fair Value	Q-BLK Strategic Partners II, Ltd. (Blackrock)	PIMCO BRAVO II	Robeco and Man Managed Futures
Balance, October 31, 2011	$ 74,800	$ 39,232	$ -	$ 35,568
Total realized and unrealized gain and loss				
Included in excess of revenues and expenses	682	(51)	-	733
Included in changes in unrestricted net assets	2,287	1,947	-	340
Included in changes in temporarily restricted net assets	-	-	-	-
Purchases, issuances, and settlements				
Purchases	21,563	-	-	21,563
Issuances	-	-	-	-
Sales	(23,935)	(2,000)	-	(21,935)
Settlements	-	-	-	-
Transferred out of Level III *	-	-	-	-
Balance, October 31, 2012	75,397	39,128	-	36,269
Total realized and unrealized gain and loss				
Included in excess of revenues and expenses	1,902	3,648	2	(1,748)
Included in changes in unrestricted net assets	1,050	(246)	166	1,130
Included in changes in temporarily restricted net assets	-	-	-	-
Purchases, issuances, and settlements				
Purchases	10,734	1,000	3,983	5,751
Balance, October 31, 2013	$ 89,083	$ 43,530	$ 4,151	$ 41,402

As required by ASC Topic 820, the investments are classified within the level of the lowest significant input considered in determining fair value. In evaluating the level at which the Organization's investments have been classified, the Organization has assessed factors including, but not limited to the ability to redeem at net asset value ("NAV") at the measurement date and the existence or absence of certain restrictions at the measurement date. In accordance with the guidance, if the Organization has the ability to redeem from the investment at the measurement date or in the near-term at NAV, the investment would be classified as a Level 2 fair value measurement. Alternatively, if the Organization will never have the ability to redeem from the investment or is restricted from redeeming for an uncertain or extended period of time from the measurement date, the investment would be classified as a Level 3 fair value measurement.

There were no significant transfers between Levels 1, 2, and 3 in the current fiscal year.

The Organization is not aware of any unfunded commitments related to its alternative investments.

The following table provides the fair value and redemption terms and restrictions for investments redeemable at net asset value as of October 31, 2013:

Fund Type	Fair Value (in Millions)	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Managed Futures	$ 41,402	$ -	Monthly	5 - 10 days
Real Estate (UBS TPF)	$ 39,015	$ -	Quarterly	60 days
Blackrock (Quellos) HFOF	$ 43,530	$ -	Monthly/Quarterly	95 - 370 days
Colective Trust Fund (BlackRock US Equity)	$ 87,702	$ -	Daily	1 - 5 days
PIMCO Bravo II	$ 4,151	$ 36,000	N/A	N/A

Managed futures ("Man") – This category invest in funds that is engaged primarily in the speculative trading of futures and forward contracts related to interest rates, foreign currencies, equity prices, or commodity prices. The fair values of the investments in this category have been estimated using the net asset value of the Organization's ownership interest in partner's capital. The investment managers in this fund have the ability to suspend withdrawals in situations when the fund suspends the calculation of net asset value of the Fund. For this reason, Management has classified this as a Level 3 investment even though the redemption notice period is 5-10 days.

Real estate ("UBS TPF") – This category invests in an actively managed core portfolio of equity real estate that seeks to provide attractive returns while limiting downside risk and has both relative and real return objectives. Its relative performance objective is to outperform the NFI-ODCE index over any given three- to five-year period. The fund's real return performance objective is to achieve at least a 5% real rate of return (i.e., inflation-adjusted return), before advisory fees, over any given three-to-five year period. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

Blackrock ("Quellos") HFOF – This fund includes investment in hedge fund of funds. The fund's objective is to provide its investors with capital appreciate while endeavoring to minimize corresponding risk through direct and/or indirect investments that pursue a variety of investment strategies. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

Commingled equity funds – This category invests in a commingled equity mutual fund composed largely of publicly traded common stock. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

PIMCO Bravo II – An opportunistic residential and commercial credit strategy seeking to capitalize on the continued deleveraging and re-regulation of the financial system, with particular focus on bank disposition of assets for noneconomic reasons. The fund seeks to earn long-term returns by acquiring discounted loans or structured credit tied to residential or commercial real estate markets in the U.S. or Europe, managing assets through restructuring, high-quality specialty servicing and exerting operational control to extract additional value, purchasing assets with exposure to a potential U.S. housing recovery, and targeting uncrowded areas of global credit markets that fall in between public securities and private real estate markets.

The following methods were used to estimate the fair value of all other financial instruments:

Cash and cash equivalents – The carrying amount approximates fair value.

Long-term debt – The fair value of long-term debt is estimated based on discounted cash flow analyses, based on Masonic Homes' current incremental borrowing rates for similar types of borrowing arrangements. The debt instruments as of October 31, 2013 and 2012 materially approximate their carrying values (Note 13).

The following table presents estimated fair values of Masonic Home's financial instruments in accordance with ASC 825, *Financial Instruments* at October 31:

	2013 (In Thousands)		2012 (In Thousands)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents - unrestricted	$ 5,200	$ 5,200	$ 6,472	$ 6,472
Cash and cash equivalents - restricted	$ 270	$ 270	$ -	$ -
Available-for-sale securities - investments	$ 845,596	$ 845,596	$ 754,769	$ 754,769
Assets held in trust	$ 13,381	$ 13,381	$ 12,586	$ 12,586
Interest rate swap agreement	$ -	$ -	$ (17,700)	$ (17,700)
Long-term debt	$ (104,263)	$ (104,263)	$ (93,625)	$ (93,625)

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of October 31:

	2013 (In Thousands)	2012 (In Thousands)
Land and improvements	$ 15,929	$ 15,846
Buildings and improvements	232,550	232,991
Furniture and equipment	22,418	21,272
Construction in progress	719	441
Leasehold improvement	190	190
Total property and equipment	271,806	270,740
Less: accumulated depreciation	(112,043)	(103,620)
Property and equipment, net	$ 159,763	$ 167,120

Depreciation expense for the years ended October 31, 2013 and 2012, totaled $8,573,412 and $8,497,875, respectively.

NOTE 5 – ASSETS HELD IN TRUST

Assets held in trusts consisted of the following as of October 31:

	2013 (In Thousands)	2012 (In Thousands)
Contributions receivable from split-interest agreements	$ 326	$ 309
Assets of pooled income fund	1,097	1,106
Assets of split-interest agreements	7,342	6,845
Assets of charitable gift annuities	1,515	1,409
Beneficial interest in perpetual trusts	3,101	2,917
Total assets held in trusts	$ 13,381	$ 12,586

Contributions receivable from split-interest agreements – Contributions receivable from split-interest agreements represent the estimated net present value of Masonic Homes' interest in various irrevocable trusts held by third parties. The net present value of these receivables was determined using the tax deduction methodology from the IRS.

Assets of pooled income fund – Assets of the Pooled Income Fund represent the fair value of assets held in the Pooled Income Fund, which was organized in 1974 as a charitable trust to which donors contribute irrevocable remainder interests in investments while retaining an income interest for life for one or more beneficiaries. All dividend and interest income of the Pooled Income Fund is distributed quarterly to the beneficiaries, based on their proportionate share of the Pooled Income Fund. Upon the death of each donor's last income beneficiary, the remainder interest becomes available for Masonic Homes' use.

Contributions are measured at the fair value of the assets received and discounted for the estimated life expectancy of the donor, which is obtained from life expectancy tables published by the IRS. The amount discounted is reported as discount for future interest and recognized using the straight-line method over the donor's remaining life expectancy. The interest rate used in calculating the discount approximates the average return provided by the fund in the years prior to the applicable contribution. As of October 31, 2013 and 2012, the rates were estimated to be 3.67% and 4.67, respectively.

Assets of split-interest agreements – Assets of split-interest agreements consist of cash and other assets received under various irrevocable charitable trusts of which Masonic Homes is the trustee. The assets received under these agreements are recorded at estimated fair market value when received. Masonic Homes utilizes an outside fund consultant to value these assets annually.

Assets of charitable gift annuities – Assets of charitable gift annuities consist of cash and other assets received under irrevocable annuity contracts. These contracts guarantee a specified amount for the life of the donor, or beneficiaries designated by the donor. The assets received are not commingled with the general assets of the Masonic Homes. A reserve account has been established and invested in accordance with California statutes. The discount rates used range from 1.40% to 6.00%. Upon the death of the donor, the remaining funds revert to the Masonic Homes and are taken into income. The change in present value of the gift annuities for the year ended October 31, 2013 and 2012 is $234,528 and $48,411, respectively.

Beneficial interests in perpetual trusts – Beneficial interests in perpetual trusts represent the net present value of Masonic Homes' irrevocable interest in the income generated from various perpetual trusts held by third-party trustees. The assets of the trusts have been donor restricted for investment in perpetuity. The beneficial interest of the trust included in the consolidated financial statements of position is $3,101,104 and $2,917,144 at October 31, 2013 and 2012, respectively.

NOTE 6 – DEFERRED REVENUE FROM ASSIGNED ASSETS AND REFUNDABLE ADVANCED FEES

Changes in deferred revenue from assigned assets and refundable advanced fees are as follows for the year ended October 31, 2013 and 2012.

	2013 (In Thousands)	2012 (In Thousands)
Balance, beginning of period and year	$ 37,197	$ 34,688
Received from new residents	18,919	7,917
Amortized		
Due to deaths and withdrawals	(3,412)	(2,081)
Based on actuarial calculation	(3,328)	(3,327)
Balance, end of period and year	$ 49,376	$ 37,197

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets consisted of the following as of October 31:

	2013 (In Thousands)	2012 (In Thousands)
Available for use in awarding scholarships or other programs related to children	$ 5,824	$ 4,973
Available for use in the activities of the homes in Union City and Covina upon lapse of time restrictions	7,154	6,349
Total temporarily restricted net assets	$ 12,978	$ 11,322

Net assets were released from donor restrictions as shown in the following table for the years ended October 31, 2013 and 2012. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2013 (In Thousands)	2012 (In Thousands)
Use in the activities of the home for adults in Union City, California	$ 608	$ 1,739
Use in the activities of the home for adults/children in Covina, California	373	2,337
Use in Masonic Outreach Services	461	945
Use in awarding scholarships and other community sponsorhip	164	207
Total net assets released from restrictions	$ 1,606	$ 5,228

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support the following activities as of October 31:

	2013 (In Thousands)	2012 (In Thousands)
Use in the activities of Masonic Homes	$ 145,570	$ 145,031
Use in awarding scholarships	1,667	1,667
Use for investment in the Endowment Fund	326	309
Total permanently restricted net assets	$ 147,563	$ 147,007

NOTE 9 – RETIREMENT PLANS

Defined benefit plan – Masonic Homes, the Grand Lodge, and the California Masonic Memorial Temple (the "Temple") participate in a defined benefit pension plan (the "Plan") that covers all employees. The allocation of Masonic Homes represents 83.85% of the Plan. The Grand Lodge is the sponsoring employer of the Plan.

Plan termination – The Plan was frozen effective March 31, 2007, with the intent to eventually terminate the Plan. The cost of the Plan termination has not been determined as of October 31, 2013. As a result of freezing the plan, participants no longer accrue benefits based on future service. Plan assets will be shared among eligible plan participants in the event of a termination in the following priority order:

- Benefits from required employee contributions to the Plan.
- Benefits to retirees, the beneficiaries of retirees, and beneficiaries of participants who died before retirement but with the preretirement survivor's option in effect. To qualify in this category, retirees or beneficiaries must already have been receiving, or have been eligible to receive, benefits for at least three years before plan termination. (This includes active employees who were eligible to retire at least three years before plan termination.) The benefit paid would be the smallest benefit received or that could have been received during the five-year period ending on the plan termination date.
- Benefits to retirees and beneficiaries who began receiving benefits within three years of plan termination, and active employees who could have retired and began receiving payments within that time. This category also includes active employees entitled to a benefit and employees who left the Masonic Homes who are eligible for a deferred benefit.
- Accrued benefits for all other participants.

Generally, the Pension Benefit Guaranty Corporation ("PBGC") guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination.

The following table summarizes the Plan's activities for the year ended October 31, 2013 and 2012:

	2013 (In Thousands)	2012 (In Thousands)
Change in benefit obligation		
Benefit obligation at beginning of period and year	$ 33,427	$ 29,309
Interest cost	1,334	1,458
Actuarial loss (gain)	(3,612)	4,225
Benefits paid	(1,337)	(1,324)
Administrative expenses	(227)	(241)
Benefit obligation at year end	29,585	33,427
Change in plan assets		
Fair value of plan assets at beginning of period and year	20,403	18,601
Actual return on plan assets	2,752	1,703
Employer contribution	838	1,664
Benefits paid	(1,337)	(1,324)
Administrative expenses paid	(227)	(241)
Fair value of plan assets at year end	22,429	20,403
Funded Status	$ (7,156)	$ (13,024)
Amounts recognized in the statement of activities and changes in net assets consist of:		
Noncurrent liabilities	$ 7,156	$ 13,024
Net actuarial loss	$ 8,227	$ 14,316
Amounts recognized in the statement of activities and changes in net assets consist of:		
Net periodic pension cost	$ 1,058	$ 1,025
Amortized net (gain)	(1,117)	(848)
Net loss (gain)	(4,972)	3,803
	$ (5,031)	$ 3,980

	2013 (In Thousands)	2012 (In Thousands)
Components of net periodic benefit cost:		
Interest cost	$ 1,333	$ 1,458
Expected return on plan assets	(1,392)	(1,281)
Recognized net actuarial loss	1,117	848
	$ 1,058	$ 1,025

The following weighted-average assumptions were used to determine the Plan's benefit obligation at October 31:

	2013	2012
Discount rate	4.10%	5.10%
Long-term rate of return on plan assets	7.00%	7.00%

The following weighted-average assumptions were used to determine the Plan's net periodic cost for the year ended October 31, 2013 and 2012:

	2013	2012
Discount rate	5.10%	4.10%
Rate of compensation increase	0.00%	0.00%

The long-term rate of return reflects the average rate of earnings expected on the funds invested to provide for benefits in the future. In estimating this rate, appropriate consideration was given to the returns currently being earned by the Plan assets and the rates of return expected to be available for reinvestment. The present and expected asset mix was taken into account. The long-term rate is expected to be less volatile than returns, but also reinvestment rates in the future. This rate will generally be the same each year, unless asset mix and/or asset returns are expected to significantly change in the future.

Plan assets – The Plan's weighted-average asset allocations at October 31 by asset category are as follows:

	2013	2012
Asset category		
Equity mutual funds	47.83%	54.47%
Alternative	6.45%	7.93%
Fixed income	44.77%	33.68%
Money market	0.95%	3.92%
Total	100.00%	100.00%

Explanation of investment strategies and policies – In July 2012, the Plan Fiduciaries delegated the responsibilities for the management of the California Masonic Retirement Plan assets to Hewitt EnnisKnupp ("HEK"). HEK utilizes the Delegated Solutions framework to employ liability-hedging assets (fixed income) and return seeking assets (equities) in the appropriate ratio to allow for the improvement of the funded ratio of the retirement plan. HEK executes and monitors the Plan's strategy in accordance to the Investment Policy Statement for the California Masonic Retirement Plan dated July 17, 2012. Based on long-term goals and desired risk levels, the glide path (liability-hedging assets vs. return seeking assets) target allocations are adjusted if the Plan's funded status changes. The allocations will be rebalanced back to within the corresponding range, with a general expectation that rebalancing will occur toward the target allocation.

ASC Topic 820 defines fair value and expands disclosures about fair value measurements. See Note 3 for detailed discussion of the ASC Topic 820 valuation hierarchy.

Plan assets are summarized according to the ASC Topic 820 hierarchy as follows:

	October 31, 2013 (In Thousands)			
	Fair Value	Level 1	Level 2	Level 3
Available-for-sale				
Equity mutual funds				
Domestic equity	$ 5,398	$ 5,398	$ -	$ -
Foreign equity	5,331	5,331	-	-
Alternative investments	1,446	-	1,446	-
Fixed income mutual funds	10,042	10,042	-	-
Money Market	212	212	-	-
Total available for sale - investments	$ 22,429	$ 20,983	$ 1,446	$ -

	October 31, 2012 (In Thousands)			
	Fair Value	Level 1	Level 2	Level 3
Available-for-sale				
Equity mutual funds				
Domestic equity	$ 5,517	$ 5,517	$ -	$ -
Foreign equity	5,607	5,607	-	-
Alternative investments	1,620	-	1,620	-
Fixed income mutual funds	6,880	6,880	-	-
Money Market	779	779	-	-
Total available for sale - investments	$ 20,403	$ 18,783	$ 1,620	$ -

Capital market assumption methodology – In determining the long-term rate of return for plan assets, the Masonic Homes studies historical markets and long-term historical relationships between equities and fixed income, consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long-run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined.

Management has established an expected long-term rate of return on assets ("ELTRA") of 7.00%, which reflects the historical support for operation of 4.00% plus a 3.00% factor representing inflation. Future return may not be as strong which will require management to review their operation's support policies.

Contributions – Masonic Homes contributed $700,894 to its pension plan during the fiscal year ended October 2013. Masonic Homes expects to contribute $1,611,537 to the Plan during the fiscal year ending October 31, 2014.

Estimated future benefit payments – The following actuarially determined Plan benefit payments, which reflect expected future service, are expected to be paid for the fiscal year ending October 31:

2014	$ 1,590
2015	1,663
2016	1,714
2017	1,765
2018	1,793
Years 2019 through 2021	9,428

Expected amortization amounts during fiscal year ending October 31, 2013 are as follows:

Amortization of net transition obligation/(asset)	$ -
Amortization of net prior service cost/(credit)	-
Amortization of actuarial loss	542

Defined contribution plan – The California Masonic Retirement Plan II ("Retirement Plan") a defined contribution plan sponsored by the Grand Lodge was effective on April 1, 2007. Masonic Homes, Acacia Creek – UC, the Grand Lodge, and the Temple participate in the Retirement Plan that covers all employees who meet certain age and service requirements. The Retirement Plan provides for both an employer contribution and an employer match of employee contributions. The total employer contributions and matches made by the Masonic Homes and Acacia Creek - UC to the plan were $997,281 and $982,233 for the years ended October 31, 2013 and 2012, respectively.

NOTE 10 – RELATED-PARTY TRANSACTIONS

The Grand Lodge provides general and administrative support to Masonic Homes, for which the Grand Lodge is reimbursed through an allocation of certain expenses. The allocations to the Masonic Homes were $6,551,953 and $6,191,669 for the year ended October 31, 2013 and 2012, respectively.

NOTE 11 – CONTINGENCIES AND COMMITMENTS

The Organization can potentially be a party to various claims and legal actions in the normal course of business. In the opinion of management, based upon current facts and circumstances the resolution of these matters is not expected to have a material adverse effect on the financial position of the Organization.

The health care 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, matters such as licensure, accreditations, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions known or unasserted at this time.

NOTE 12 – SUPPLEMENTAL CASH-FLOW INFORMATION

Noncash operating transactions include net changes in unfunded pension obligation of $(4,897,853) and $1,976,918 for the years ended October 31, 2013 and 2012, respectively.

NOTE 13 – VARIABLE RATE REVENUE BONDS SERIES 2013A

Acacia Creek – UC issued $99,423,319 in Variable Rate Revenue Bonds, Series 2013A on October 29, 2013. The bonds were issued through the Association of Bay Area Governments ("ABAG") and have a maturity date of July 1, 2038. The bonds were privately placed with Bank of America Public Capital Corporation ("BAPCC"). The Masonic Homes is the guarantor of all obligations of Acacia Creek – UC under the agreement.

The proceeds of the bonds were used to retire the Acacia Creek – UC Variable Rate Revenue Bonds, Series 2008A issued on January 30, 2008, in the amount of $93,625,000 and to fund the termination cost related to the Morgan Stanley Swap dated December 20, 2007, in the amount of $5,491,000. The balance of the proceeds in the amount of $307,319 was used to fund certain issuance costs related to the Series 2013A Variable Rate Revenue Bonds. Other issuance costs related to the 2013A bonds in the amount of $32,723 were paid directly by Acacia Creek. Total issuance costs therefore related to the 2013A bonds were $340,042.

The bonds carry an interest rate equal to 67% of One Month Libor plus 60 Basis Points reset on the first business day of every month. The interest is effective through October 29, 2018, at which time the interest rate will be re-negotiated with BAPCC or the loan will be retired. Annual maturities of the loan as of October 31, 2013, are as follows:

2014	$ -
2015	-
2016	2,891,639
2017	2,997,832
2018	3,098,716
Thereafter	90,435,132
	$ 99,423,319

There was no interest paid for the year ended October 31, 2013. Interest accrued for the year ended October 31, 2013 was $5,907.

NOTE 14 – 2013 TAXABLE VARIABLE RATE LOAN

Acacia Creek – UC entered into a 5-year Taxable Variable Rate Loan through BAPCC on October 29, 2013, in the amount of $4,840,000. The maturity date of the loan is November 1, 2038. The Masonic Homes is the guarantor of all obligations of Acacia Creek – UC under the agreement.

The proceeds of the loan were used to fund the termination cost related to the Bank of America swap dated May 25, 2011, in the amount of $4,840,000. Issuance cost related to the loan was $30,003 and was paid directly by Acacia Creek – UC.

The loan carries an interest rate equal to One Month Libor plus 75 Basis Points reset on the first business day of every month. The interest is effective through October 29, 2018, at which time the interest rate will be re-negotiated with BAPCC or the loan will be retired. Annual maturities of the loan as of October 31, 2013 are as follows:

2014	$ -
2015	-
2016	141,000
2017	146,000
2018	151,000
Thereafter	4,402,000
	$ 4,840,000

There was no interest paid for the year ended October 31, 2013. Interest accrued for the year ended October 31, 2013 was $371.

NOTE 15 – SWAP DERIVATIVE AGREEMENT

Acacia Creek – UC entered into a 10-year variable-for-fixed interest rate swap agreement (the "Agreement") on December 20, 2007, with Morgan Stanley Capital Services ("counter party"). The counter party is required to maintain a rating of A3/A- or higher. If this rating is not maintained, the counter party must post collateral to cover any mark to market amount due to the Masonic Homes upon the early termination of the Agreement. The Masonic Homes is the guarantor of all obligations of Acacia Creek - UC under the agreement.

The interest rate swap effectively changes the interest rate exposure of Acacia Creek – UC on its $93.625 million variable rate revenue bond, due in 2038, to a fixed rate of 3.019%. The interest rate swap qualifies for cash flow hedge accounting under ASC 815, *Derivatives and Hedging* ("ASC 815").

On May 25, 2011, Acacia Creek - UC entered into a new variable-for-fixed interest rate swap agreement with Bank of America to secure the un-hedged portion of the Acacia Creek – UC debt that expired in July 2011. The new interest rate swap effectively changes the interest rate exposure of Acacia Creek – UC. The effective notional amount is $35.0 million due in 2038 with a fixed rate of $2.975%. The new interest rate qualifies for cash flow hedge accounting under ASC 815.

The effective portion of the change in fair value of the swaps is included as a component of net assets below the performance indicator. The cumulative effective portion included in net assets was a net unrealized gain of $7,368,965 at October 31, 2013, and net unrealized loss of $3,092,701 at October 31, 2012. The fair market value of the swaps is determined using the zero coupon method (Level 2 inputs), and the swaps were a liability totaling $17,699,965 at October 31, 2012, and included in noncurrent liabilities.

The interest rate swaps were terminated on October 25, 2013. The termination costs related to the Morgan Stanley Capital Services interest rate swap and the Bank of America interest rate swap were $5,491,000 and $4,840,000, respectively.

NOTE 16 – UPMIFA DISCLOSURES

Board interpretation of law

Interpretation of Relevant Law UPMIFA enacted by California, FMV preservation – The Board of Trustees of the Masonic Homes has interpreted the California Prudent Management of Institutional Funds Act ("CPMIFA") 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 Masonic Homes 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 unrestricted or temporarily restricted net assets until those amounts are appropriated for expenditure by the Masonic Homes in a manner consistent with the standard of prudence prescribed by CPMIFA. In accordance with CPMIFA, the Masonic Homes considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund
b. The purposes of the Masonic Homes and the donor-restricted endowment fund
c. General economic conditions
d. The possible effect of inflation and deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of the Masonic Homes
g. The investment policies of the Masonic Homes

Spending policy, investing policy, and strategy

Return objectives and risk parameters – Masonic Homes has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Masonic Homes must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various market benchmarks appropriate to the investment classes utilized while assuming a moderate level of investment risk. The Masonic Homes expects its endowment funds, over time, to provide an average rate of return of approximately 7.0% - 7.5% annually. Actual returns in any given year may vary from this amount.

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

Spending policy and how the investment objectives relate to spending policy – For 2012/2013, Masonic Homes has a policy of appropriating for distribution 4.25% - 5.00% of its endowment fund's average fair value over the prior twenty quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Masonic Homes considered the long-term expected return on its endowment. Accordingly, over the long term, the Masonic Homes expects the current spending policy to allow its endowment to grow at an average of 3.00% annually. This is consistent with the Masonic Homes' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowments by net asset class, in total and by fund

	October 31, 2013 (In Thousands)			October 31, 2012 (In Thousands)		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ -	$ 12,978	$ 147,563	$ -	$ 11,322	$ 147,007
Board-designated endowment funds	222,983	-	-	188,182	-	-
Total endowment funds	$ 222,983	$ 12,978	$ 147,563	$ 188,182	$ 11,322	$ 147,007

Reconcile beginning and ending balance by net asset class

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		(In Thousands)		
Endowment net assets, October 31, 2012	$ 188,182	$ 11,322	$ 147,007	$ 346,511
Investment return:				
Realized gains (loss)	10,619	801	-	11,420
Investment Income	8,509	191	-	8,700
Unrealized gains (loss)	30,577	758	-	31,335
Total Investment Return	49,705	1,750	-	51,455
Contributions	-	227	556	783
Release from restrictions	321	(321)	-	-
and/or operation Release/transfer to general fund	(13,460)	-	-	(13,460)
Expenses	(1,765)	-	-	(1,765)
Endowment net assets, October 31, 2013	$ 222,983	$ 12,978	$ 147,563	$ 383,524

Nature and types of restrictions

Endowment – Masonic Homes' endowment consists of approximately 16 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only):

	2013 (In Thousands)	2012 (In Thousands)
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	$ 147,563	$ 147,007
Total endowment funds classified as permanently restricted net assets	$ 147,563	$ 147,007
Temporarily restricted net assets		
Term endowment funds	$ 12,978	$ 11,322
Total endowment funds classified as temporarily restricted net assets	$ 12,978	$ 11,322

Aggregate amount of deficiencies for donor-restricted endowments

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 requires the Masonic Homes to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, there was no deficiency of this nature that was reported in unrestricted net assets as of October 31, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations of permanently restricted contributions and continued appropriations for certain programs deemed prudent by the Board of Trustees.

NOTE 17 – SUBSEQUENT EVENTS

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

The Organization has evaluated subsequent events through February 25, 2014, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
As of October 31, 2013
(With Summarized Comparative Information as of October 31, 2012)
(In Thousands)

	Unrestricted				Temporary Restricted	Permanently Restricted		
	Acacia Creek Union City	Masonic Homes	Elimination/ Reclass	Total	Masonic Homes	Masonic Homes	October 31, 2013 Consolidated	October 31, 2012 Total Consolidated Comparative Totals Only
Assets								
Current assets								
Cash and cash equivalents - unrestricted	$ 1,279	$ 3,921	$ -	$ 5,200	$ -	$ -	$ 5,200	$ 6,472
Assets limited to use	270	-	-	270	-	-	270	-
Funds held for residents	-	706	-	706	-	-	706	826
Receivables, net	21	673	-	694	-	-	694	535
Notes receivable - related party	-	10,000	(10,000)	-	-	-	-	-
Prepaid expenses and other assets	188	711	-	899	-	-	899	1,024
Related entities receivable	-	3,432	(2,697)	735	-	-	735	-
Assets held for sale	-	5,076	-	5,076	-	-	5,076	1,726
Total current assets	1,758	24,519	(12,697)	13,580	-	-	13,580	10,583
Investments, at fair value	13,171	681,661	-	694,832	3,405	147,359	845,596	754,769
Property and equipment, net	81,548	78,215	-	159,763	-	-	159,763	167,120
Assets held in trusts	-	-	-	-	12,715	666	13,381	12,586
Funds held for residents	878	-	-	878	-	-	878	956
Other assets	370	3,197	-	3,567	-	-	3,567	825
Total assets	$ 97,725	$ 787,592	$ (12,697)	$ 872,620	$ 16,120	$ 148,025	$ 1,036,765	$ 946,839
Liabilities and net assets								
Current liabilities								
Accounts payable and accrued liabilities	$ 611	$ 3,124	$ -	$ 3,735	$ -	$ -	$ 3,735	$ 2,704
Accrued payroll and benefits payable	133	4,288	-	4,421	-	-	4,421	4,593
Note payable - related party	10,000	-	(10,000)	-	-	-	-	-
Related entities payable	2,747	-	(2,697)	50	-	-	50	773
Total current liabilities	13,491	7,412	(12,697)	8,206	-	-	8,206	8,070
Unfunded pension obligation	-	6,000	-	6,000	-	-	6,000	10,898
Liability to beneficiaries of split-interest agreements	-	-	-	-	3,142	462	3,604	3,438
Swap derivative liability	-	-	-	-	-	-	-	17,700
Long-term debt	104,263	-	-	104,263	-	-	104,263	93,625
Liability for funds held for residents,net	878	-	-	878	-	-	878	956
Refundable advance fees	23,805	-	-	23,805	-	-	23,805	16,732
Deferred revenue	4,658	20,913	-	25,571	-	-	25,571	20,465
Total liabilities	147,095	34,325	(12,697)	168,723	3,142	462	172,327	171,884
Net assets (deficit)	(49,370)	753,267	-	703,897	12,978	147,563	864,438	774,955
Total liabilities and net assets	$ 97,725	$ 787,592	$ (12,697)	$ 872,620	$ 16,120	$ 148,025	$ 1,036,765	$ 946,839

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended October 31, 2013
(With Summarized Comparative Information for the Year Ended October 31, 2012)
(In Thousands)

	Unrestricted				Temporary Restricted Masonic Homes	Permanently Restricted Masonic Homes	October 31, 2013 Consolidated	October 31, 2012 Total Consolidated Comparative Totals Only
	Acacia Creek Union City	Masonic Homes	Elimination/ Reclass	Total				
Public support and revenue								
Contributions	$ -	$ 45	$ -	$ 45	$ 518	$ 54	$ 617	$ 893
Bequests and memorials	-	2,208	-	2,208	994	502	3,704	11,604
Amortization of deferred revenue	427	1,973	-	2,400	-	-	2,400	2,414
Amount received from pensions assigned by resident	-	4,595	-	4,595	-	-	4,595	4,527
Investment income	212	15,696	-	15,908	191	-	16,099	11,833
Net realized gain (loss) on investments	505	29,126	-	29,631	154	-	29,785	(7,271)
Fee for Service	3,799	902	-	4,701	-	-	4,701	3,159
Royalty and other income	351	5,553	-	5,904	-	-	5,904	5,570
Change in value of split-interest agreements	-	-	-	-	647	-	647	663
Net assets released from restriction	-	1,606	-	1,606	(1,606)	-	-	-
Total public support and revenue	5,294	61,704	-	66,998	898	556	68,452	33,392
Expenses								
Program								
Operation of Acacia Creek and Masonic Homes	7,112	32,873	-	39,985	-	-	39,985	38,572
Masonic Outreach Services	-	7,764	-	7,764	-	-	7,764	7,686
Program development	-	-	-	-	-	-	-	-
Scholarship and other program	-	164	-	164	-	-	164	268
Total program expenses	7,112	40,801	-	47,913	-	-	47,913	46,526
Supporting services								
Marketing	921	-	-	921	-	-	921	890
Fundraising	-	856	-	856	-	-	856	689
Administration	836	4,658	-	5,494	-	-	5,494	5,320
Total supporting services expenses	1,757	5,514	-	7,271	-	-	7,271	6,899
Total expenses	8,869	46,315	-	55,184	-	-	55,184	53,425
Excess of revenues (deficit) over expenses before other items	(3,575)	15,389	-	11,814	898	556	13,268	(20,033)
Write off of unamortized portion of 2008 Bond Issuance Cost	(1,277)	-	-	(1,277)	-	-	(1,277)	-
Intercompany interest income (expense)	(468)	468	-	-	-	-	-	-
Interest expense	(3,289)	-	-	(3,289)	-	-	(3,289)	(3,407)
Net unrealized gain on investments	960	66,768	-	67,728	758	-	68,486	63,626
Excess of revenues over expenses before other changes in net assets	(7,649)	82,625	-	74,976	1,656	556	77,188	40,186
Change in unfunded pension obligation-net	-	4,926	-	4,926	-	-	4,926	(3,760)
Noncash change in swap derivative liability	7,369	-	-	7,369	-	-	7,369	(3,093)
Change in net assets	(280)	87,551	-	87,271	1,656	556	89,483	33,333
Net assets (deficit) at beginning of period and year	(49,090)	665,716	-	616,626	11,322	147,007	774,955	741,622
Net assets (deficit) at end of period and year	$ (49,370)	$ 753,267	$ -	$ 703,897	$ 12,978	$ 147,563	$ 864,438	$ 774,955

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Year Ended October 31, 2013
(With Summarized Comparative Information for the Year Ended October 31, 2012)
(In Thousands)

	October 31, 2013			
	Acacia Creek – Union City	Masonic Homes	Total	October 31, 2012 Consolidated Comparative Totals Only
Cash flows from operating activities				
Contributions received	$ -	$ 4,176	$ 4,176	$ 12,385
Net proceeds from assigned assets	8,566	3,338	11,904	3,774
Amounts received from assigned assets	-	4,595	4,595	7,615
Investment/interest income received	212	15,887	16,099	11,833
Interest income (expense) from related party	(468)	468	-	-
Fee for service	3,799	902	4,701	3,159
Royalty and other income	351	4,884	5,235	4,497
Cash paid for operating expenses	(9,532)	(43,218)	(52,750)	(49,333)
Net cash provided by (used in) operating activities	2,928	(8,968)	(6,040)	(6,070)
Cash flows from investing activities				
Proceeds from sales of investments	8,226	53,138	61,364	28,486
Purchase of investments	(9,539)	(44,380)	(53,919)	(22,356)
Proceeds from sales of equipment	-	3	3	6
Purchase of equipment/construction	(302)	(2,160)	(2,462)	(3,039)
Change in assets limited as to use	(270)	-	(270)	-
Net cash used in investing activities	(1,885)	6,601	4,716	3,097
Cash flows from financing activities				
Deposits refunded to residents	(78)	-	(78)	(396)
Funds held for residents	78	120	198	381
Bond financing cost	(375)	-	(375)	(2)
Swap Derivative termination payments	(10,331)	-	(10,331)	-
Retirement of 2008 A Bond Series	(93,625)	-	(93,625)	-
Proceeds from 2013 bond private placement	104,263	-	104,263	-
Net cash provided by financing activities	(68)	120	52	(17)
Net increase (decrease) in cash and cash equivalents	975	(2,247)	(1,272)	(2,990)
Cash and cash equivalents, beginning of period and year	304	6,168	6,472	9,462
Cash and cash equivalents, end of period and year	$ 1,279	$ 3,921	$ 5,200	$ 6,472

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF CASH FLOWS (CONTINUED)
For the Year Ended October 31, 2013
(With Summarized Comparative Information for the Year Ended October 31, 2012)
(In Thousands)

	October 31, 2013			
	Acacia Creek – Union City	Masonic Homes	Total	October 31, 2012 Consolidated Comparative Totals Only
Reconciliation of increase (decrease) in net assets to net cash provided by (used in) operating activities				
Change in net assets	$ (280)	$ 89,763	$ 89,483	$ 33,333
Adjustment to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities				
Depreciation and amortization	3,016	5,558	8,574	8,498
Amortization of deferred revenue	-	(2,400)	(2,400)	(2,414)
Gain on disposal of property and equipment	-	(1)	(1)	2
Realized and unrealized gain on investments	(1,465)	(96,807)	(98,272)	(56,355)
Unrealized loss on a cash flow hedge	(7,369)	-	(7,369)	3,093
Change in unfunded pension obligation	-	(4,898)	(4,898)	1,977
Released of litigation reserve	-	-	-	-
Write off of permanently impaired fixed assets	-	-	-	-
Write off of 2008 A Bond Series issuance cost	1,277	-	1,277	-
Changes in assets and liabilities				
Receivables, net	(12)	(146)	(158)	(107)
Prepaid expenses and other assets	48	(2,324)	(2,276)	30
Related entities receivable and payable	(532)	(926)	(1,458)	189
Assets held for sale	-	(3,350)	(3,350)	675
Assets held in trust	-	(794)	(794)	(645)
Accounts payable and accrued liabilities	94	764	858	564
Liability to beneficiaries of split interest agreements	-	165	165	167
Deferred revenue from assigned assets, net	8,151	6,428	14,579	4,923
Net cash provided by (used in) operating activities	$ 2,928	$ (8,968)	$ (6,040)	$ (6,070)

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE OF PROGRAM EXPENSES
For the Years Ended October 31, 2013 and 2012
(In Thousands)

	2013 (In Thousands)	2012 (In Thousands)
Salaries and wages	$ 14,509	$ 13,980
Resident care and services	5,603	5,329
Depreciation	5,558	5,503
Employee Benefits	5,446	5,746
Grants	3,484	3,417
Utilities	1,277	1,181
Insurance	1,143	1,137
Operating services	636	641
Professional fees	626	654
Facilities and maintenance services	619	631
Employment expense and education	464	279
Taxes	243	248
Travel expenses	232	226
Scholarship	164	268
Shared service allocation	158	141
Facility expenses	125	82
Operating supplies	123	121
Dues and licenses	118	112
Miscellaneous and other expenses	95	122
Maintenance supplies	91	117
Vehicle expense	87	87
Masonic Homes total program expenses	40,801	40,022
Acacia Creek operation	7,112	6,504
Total program operations	$ 47,913	$ 46,526

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE OF SUPPORTING SERVICES EXPENSES
For the Years Ended October 31, 2013 and 2012
(In Thousands)

	2013 (In Thousands)	2012 (In Thousands)
Shared service allocation	$ 4,658	$ 4,504
Fund raising and development - shared service allocation	856	689
Masonic Homes general and administrative expenses	$ 5,514	$ 5,193
Acacia Creek general, administrative and marketing expenses	1,757	1,706
Total general, administrative, and marketing expenses	$ 7,271	$ 6,899

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ACACIA CREEK, A SENIOR LIVING COMMUNITY

CONTINUING CARE RESERVE REPORT

PART 5

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MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITOR

To the Board of Trustees
Acacia Creek, a Senior Living Community

Report on the Financial Statements

We have audited the accompanying financial statements of Acacia Creek, a Senior Living Community, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended October 31, 2013.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of Acacia Creek, a Senior Living Community as of and for the year ended October 31, 2013, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by Acacia Creek, a Senior Living Community 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 supplementary schedules of Form 5-4, reconciliation, Additional disclosures, Disclosure statement, and Notes to reserve reports, 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 financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of Acacia Creek, a Senior Living Community and for filing with 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
February 25, 2014

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	01/01/08	(see note ****)	$3,289,424	$0	$3,289,424
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
		TOTAL:	$3,289,424	$0	$3,289,424

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

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

****** On October 29, 2013, Acacia Creek-UC issued $99,423,319 in Variable Rate Revenue Bonds Series 2013A. The bonds were issued through the ABAG and have a maturity date of July 1, 2038. The proceeds from the Variable Rate Revenue Bond Series 2013A were used to (a) retire/settle the Variable Rate Revenue Bonds Series 2008A in the amount of $93,625,000; (b) fund the termination cost related to the Morgan Stanley Swap in the amount of $5,491,000; and (c) fund certain issuance costs related to the Series 2013 Variable Rate Revenue Bonds in the amount of $307,319.**

Likewise, Acacia Creek entered into a 5-year Taxable Variable Rate loan through BAPCC on October 29, 2013, in the amount of $4,840,000. The maturity date of the loan is on November 1, 2038. The proceeds of the loan were used to fund the termination cost related to the Bank of America swap in the amount of $4,840,000.

PROVIDER: Acacia Creek, a Senior Living Community

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1	10/29/13	$0	$0	$0	$0
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:	$0	$0	0	$0

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

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

****** On October 29, 2013, Acacia Creek-UC issued $99,423,319 in Variable Rate Revenue Bonds Series 2013A. The bonds were issued through the ABAG and have a maturity date of July 1, 2038. The proceeds from the Variable Rate Revenue Bond Series 2013A were used to (a) retire/settle the Variable Rate Revenue Bonds Series 2008A in the amount of $93,625,000; (b) fund the termination cost related to the Morgan Stanley Swap in the amount of $5,491,000; and (c) fund certain issuance costs related to the Series 2013 Variable Rate Revenue Bonds in the amound of $307,319.**

Likewise, Acacia Creek entered into a 5-year Taxable Variable Rate loan through BAPCC on October 29, 2013, in the amount of $4,840,000. The maturity date of the loan is on November 1, 2038. The proceeds of the loan were used to fund the termination cost related to the Bank of America swap in the amount of $4,840,000.

PROVIDER: Acacia Creek, a Senior Living Community

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$3,289,424
2	Total from Form 5-2 bottom of Column (e)	$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	$0
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$3,289,424

PROVIDER: Acacia Creek, a Senior Living Community

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		$8,868,467
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	$3,289,424	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	$0	
	c. Depreciation	$3,015,561	
	d. Amortization	$0	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$1,399,702	
	f. Extraordinary expenses approved by the Department	$0	
3	Total Deductions		$7,704,687
4	Net Operating Expenses		$1,163,780
5	Divide Line 4 by 365 and enter the result.		$3,188
6	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$239,133

PROVIDER: Acacia Creek, a Senior Living Community
COMMUNITY: Union City

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Acacia Creek, a Senior Living Community
Fiscal Year Ended: 10/31/2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 10/31/2013 and are in compliance with those requirements.

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

		Amount
[1]	Debt Service Reserve Amount	$3,289,424
[2]	Operating Expense Reserve Amount	$239,133
[3]	**Total Liquid Reserve Amount:**	$3,528,557

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

	Qualifying Asset Description	Amount (Market Value at End of Quarter) Debt Service Reserve	Operating Reserve
[4]	Cash and Cash Equivalents	$0	$1,279,063
[5]	Investment Securities	$13,170,761	$0
[6]	Equity Securities	$0	$0
[7]	Unused/Available Lines of Credit	$0	$0
[8]	Unused/Available Letters of Credit	$0	$0
[9]	Debt Service Reserve	$0	(not applicable)
[10]	Other:	$0	$0
	(describe qualifying asset)		
	Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	$13,170,761 [12]	$1,279,063
	Reserve Obligation Amount: [13]	$3,289,424 [14]	$239,133
	Surplus/(Deficiency): [15]	$9,881,337 [16]	$1,039,930

Signature:

Thomas J. Beyer

(Authorized Representative)

Date: 2/25/14

Chief Financial Officer

(Title)

SUPPLEMENTARY SCHEDULES

Non CCRC revenue

Fee for service (non CCRC revenue)	$	1,399,702	Form 5-4 line 2e
Monthly fees (CCRC revenue)		2,399,556	
Fee for service per audited financials	$	3,799,258	

Additional Disclosures - H & SC Sections 1790(a)(2) and (3) - Reserves

Operating Reserves - Form 5-5, line 4	$	1,279,063
Debt Service Reserve Amount	$	3,289,424
The following identified reserves at BNY Mellon		
General Fund	$	13,170,761
AC census as of 10.31.13		156
AC net operating expenses	$	1,163,780
Per capita costs of operation for AC	$	7,460

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		October 31, 2011	October 31, 2012	October 31, 2013
	Income from Ongoing Operations:			
a	CCRC Monthly Fees	$ 1,855,750	$ 2,015,976	$ 2,399,556
b	Fee for Service	-	380,402	1,399,702
c	Other Income	65,770	174,122	350,908
	Total Income from Ongoing Operations	**$ 1,921,520**	**$ 2,570,500**	**$ 4,150,166**
	Less Operating Expenses:	7,839,522	8,210,159	8,868,467
	Excluding Depreciation	(2,859,951)	(2,995,274)	(3,015,561)
		4,979,571	**5,214,885**	**5,852,906**
	Net Loss from Operations	**$ (3,058,051)**	**$ (2,644,385)**	**$ (1,702,740)**
	Less Interest Expense	$ 3,370,334	$ 3,406,964	$ 3,289,424
	Plus Non Operating Income:			
	Investment Income, Unrestricted	$ 148,115	$ 209,849	$ 211,549
	Gain/Loss on Sale of Investments Unrestricted	529,155	(277,830)	505,180
	Unrealized Gain/Loss	(1,043,407)	1,213,865	960,177
	Total Non Operating Income	**(366,137)**	**1,145,884**	**1,676,906**
	Net Income Before Fees, Depreciation and Amortization	**$ (6,794,522)**	**$ (4,905,465)**	**$ (3,315,258)**
	Net Cash Flow from Entrance Fees	**$ 17,761,510**	**$ 3,088,033**	**$ 8,566,000**

Long-Term Debt to Asset Ratio:				
Long-Term Debt	A	$ 93,625,000	$ 93,625,000	$ 104,263,000
Total Assets	B	$ 102,523,330	$ 97,430,000	$ 97,725,000
Long-Term Debt to Asset Ratio:	A/B	0.91	0.96	1.07

Operating Ratio:				
Total Operating Expenses - Depreciation and Amortization	C	$ 4,979,571	$ 5,214,885	$ 5,852,906
Total Operating Revenue		1,921,520	2,570,500	4,150,166
Amortization of Deferred Revenue		177,145	348,574	427,000
	D	$ 2,098,665	$ 2,919,074	$ 4,577,166
Operating Ratio	C/D	2.37	1.79	1.28

Daily Cash on Hand:				
Unrestricted Current Cash		$ 409,246	$ 304,100	$ 1,279,063
Unrestricted Current Investment		12,957,933	10,392,287	13,170,761
Total	G	$ 13,367,179	$ 10,696,387	$ 14,449,824
Operating Expenses		$ 4,979,571	$ 5,214,885	$ 5,852,906
Divided by 365	H	$ 13,643	$ 14,287	$ 16,035
Daily Cash on Hand:	G/H	980	749	901

NOTE 1 – BASIS OF ACCOUNTING

The accompanying reserve reports have been prepared in accordance with the provisions of Health and Safety Code Section 1792 administered by the State of California Department of Social Services and are not intended to be a complete presentation of Acacia Creek, a Senior Living Community's assets, liabilities, revenues, and expenses.

ACACIA CREEK, A SENIOR LIVING COMMUNITY

CONTINUING CARE CONTRACT ANNUAL REPORT

PART 6

Continuing Care Retirement Community
Disclosure Statement
General Information

02/26/2014

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CONTINUING CARE CONTRACTS BRANCH

FACILITY NAME: Acacia Creek a Masonic Senior Living Community
ADDRESS: 34400 Mission Blvd Building A, Union City ZIP CODE: 94587 PHONE: 510-441-3700
PROVIDER NAME: Acacia Creek a Masonic Senior Li FACILITY OPERATOR:
RELATED FACILITIES: RELIGIOUS AFFILIATION:
YEAR OPENED: 2010 NO. OF ACRES: ____ MULTI-STORY: ☑ SINGLE STORY: ☐ BOTH: ☐
MILES TO SHOPPING CTR: MILES TO HOSPITAL:

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO		ASSISTED LIVING	
APARTMENTS – 1 BDRM	60	SKILLED NURSING	
APARTMENTS – 2 BDRM	90	SPECIAL CARE	
COTTAGES/HOUSES	2	DESCRIBE SPECIAL CARE:	
% OCCUPANCY AT YEAR END	77%		

TYPE OF OWNERSHIP: ☑ NOT FOR PROFIT ☐ FOR PROFIT ☐ ACCREDITED: ☐ Y ☐ N BY: ____

FORM OF CONTRACT: ☐ LIFE CARE ☑ CONTINUING CARE ☐ FEE FOR SERVICE
☐ ASSIGN ASSETS ☐ EQUITY ☐ ENTRY FEE ☑ RENTAL

REFUND PROVISIONS (Check all that apply): ☑ 90% ☐ 75% ☑ 50% ☑ PRORATED TO 0% ☑ OTHER: 100%

RANGE OF ENTRANCE FEES: $ 199,000 TO $ 785,400 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ Y ☑ N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 10 SNF + 10 SNF Free days or unlimited after Medicare stay

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: ____ OTHER: ____

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☑	☐
BILLIARD ROOM	☑	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☑	☐
CHAPEL	☐	☐
COFFEE SHOP	☐	☐
CRAFT ROOMS	☑	☐
EXERCISE ROOM	☑	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☑	☐
PUTTING GREEN	☐	☐
SHUFFLEBOARD	☐	☐
SPA	☑	☐
SWIMMING POOL-INDOOR	☑	☐
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☐	☐
WORKSHOP	☐	☐
OTHER____	☑	☐

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	4	x
NUMBER OF MEALS/DAY	1 or 3	x
SPECIAL DIETS AVAILABLE	yes	
24-HOUR EMERGENCY RESPONSE	☑	☐
ACTIVITIES PROGRAM	☑	☑
ALL UTILITIES EXCEPT PHONE	☐	☑
APARTMENT MAINTENANCE	☑	☑
CABLE TV	☑	☑
LINENS FURNISHED	☐	☐
LINENS LAUNDERED	☑	☑
MEDICATION MANAGEMENT	☐	☑
NURSING/WELLNESS CLINIC	☑	☑
PERSONAL NURSING/HOME CARE	☐	☐
TRANSPORTATION-PERSONAL	☑	☑
TRANSPORTATION-PREARRANGED	☑	☑
OTHER____	☐	☐

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: _____

CCRCs	LOCATION (City, State)	PHONE (with area code)
Acacia Creek a Masonic Senior Living Community	Union City, CA	510-441-3700

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

*** PLEASE INDICATE IF THE FACILITY IS LIFE CARE.**

PROVIDER NAME: **Acacia Creek a Senior Living community**

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME		$1,921,520	$2,570,500	$4,150,166
(excluding amortization of entrance fee income)				
LESS OPERATING EXPENSES		$4,979,571	$5,214,885	$5,852,906
(excluding depreciation, amortization, & interest)				
NET INCOME FROM OPERATIONS		-$3,058,051	-$2,644,385	-$1,702,740
LESS INTEREST EXPENSE		$3,370,334	$3,406,964	$3,289,424
PLUS CONTRIBUTIONS		$0	$0	$0
PLUS NON-OPERATING INCOME (EXPENSES)		-$366,137	$1,145,884	$1,676,906
(excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION		-$6,794,522	-$4,905,465	-$3,315,258
NET CASH FLOW FROM ENTRANCE FEES)		$17,761,510	$3,088,033	$8,566,000
(Total Deposits Less Refunds				

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Bank of America N.A.	$ 99,423,319	Variable	10/29/2013	7/1/1938	23 years
Bank of America N.A.	$ 4,840,000	Variable	10/29/2013	11/1/2038	23 years

FINANCIAL RATIOS (see next page for ratio formulas)

	50 th Percentile (optional)	2011	2012	2013
DEBT TO ASSET RATIO		0.91	0.96	1.07
OPERATING RATIO		2.37	1.79	1.28
DEBT SERVICE COVERAGE RATIO		N/A	N/A	N/A
DAYS CASH-ON-HAND RATIO		980	749	901

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2010	2011	2012	2013
STUDIO				
ONE BEDROOM	2,523.00	2,523.00	2,599.00	2,703.00
TWO BEDROOM	3,189.00	3,189.00	3,285.00	3,416.00
COTTAGE/HOUSE	3,399.00	3,399.00	3,501.00	3,641.00
ASSISTED LIVING				
SKILLED NURSING				
SPECIAL CARE				

COMMENTS FROM PROVIDER

MASONIC HOMES OF CALIFORNIA

CONTINUING CARE CONTRACT ANNUAL REPORT

PART 7

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)**	Market Rate based on varying features of units	Market Rate based on varying features of units	Market Rate based on varying features of units
[2]	**Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)**	3%	n/a	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: 4/1/2013**
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] **Check each of the appropriate boxes:**

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

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

☐ **At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.**

☐ **At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.**

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

☐ **The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.**

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

PROVIDER NAME: Acacia Creek, a Senior Living Community

COMMUNITY NAME: Acacia Creek, a Senior Living Community