VICENTI ◆ LLOYD ◆ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

RECEIVED
MAY 05 2015
CONTINUING CARE
CONTRACTS BRANCH

April 28, 2015

Mr. Bill Platt
California P.E.O. Home
700 N. Stoneman Avenue
Alhambra, CA 91801

Dear Bill:

Enclosed are three copies of the Continuing Care Reserve Report for year ended December 31, 2014. You will need to send three copies of the report along with the following items:

- Cover sheet
- Evidence of fidelity bond (3 copies)
- Audited financial statements (3 copies)
- Audited Continuing Care Reserve Report (3 copies – enclosed)

Three copies of the chief executive officer's certification must accompany the items listed above. The certificate must include the following:

- A statement that the annual report and any amendments thereto are correct to the best of his/her knowledge.
- A statement that each continuing care contract form in use or offered to new residents has been approved by the Department.
- A statement that, as of the date of the CEO's certification, the provider is maintaining the required liquid reserve and, if applicable, the required refund reserve.

Please forward me a copy of the signed certification for our records. Also, form 5-5 requires an authorized representative's signature, title and date.

Form 1-1 calculates a fee of $3,381. The report packet along with the provider fee must be post-marked by April 30, 2015.

Please let me know if you have any questions.

Sincerely,

Renee Graves, CPA
Partner

cc: Michael Wintercorn

2210 E. Route 66, Ste. 100, Glendora, CA 91740 ◆ Tel 626.857.7300 ◆ Fax 626.857.7302
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California
P.E.O. HOME

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Tel 626. 300. 3711
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www.capeohome.org

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CONTRACTS BRANCH

April 30, 2015

California Department of Social Services
Continuing Care Contract Branch
744 P. Street M.S. 11-90
Sacramento, CA 95814

To Whom It May Concern:

I certify that to the best of my knowledge the Annual Audited Report of the California P.E.O. Home dba Navigage for the fiscal year ending December 31, 2014 is correct.

Secondly, I certify that the California Department of Social Services has approved the Continuing Care Contract used by the California P.E.O. Home.

Lastly, I certify that the Approved Fund Reserve satisfies required funding levels as of December 31, 2014.

Respectfully,

William R. Platt

William R. Platt
President and CEO

RECEIVED
MAY 05 2015
CONTINUING CARE
CONTRACTS BRANCH

COMMERCIAL CRIME COVERAGE PART
DECLARATIONS PAGE

POLICY EFFECTIVE 12/05/2013 POLICY NO. 1275-710

NAMED INSURED CALIFORNIA PEO HOMEA CALIFORNIA

LOCATIONS

PREMISES ARE THE SAME AS SHOWN ON THE COMMERCIAL PROPERTY COVERAGE PART DECLARATIONS PAGE

COVERAGES, LIMITS OF INSURANCE AND DEDUCTIBLE

BOND - EMPLOYEE DISHONESTY COVERAGE FORM A - BLANKET CR0001

	LIMITS OF INSURANCE	DEDUCTIBLE AMOUNT
ALL OFFICERS AND EMPLOYEES - HONESTY	$250,000	-0-

BOND - FORGERY AND ALTERATIONS COVERAGE FORM B CR0003

	LIMITS OF INSURANCE	DEDUCTIBLE AMOUNT
DEPOSITORS FORGERY	$50,000	-0-

VICENTI ◆ LLOYD ◆ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAS

April 27, 2015

To the Audit Committee
California P.E.O. Home dba Navigage

We have audited the financial statements of California P.E.O. Home (the Home) for the year ended December 31, 2014, and have issued our report thereon dated April 27, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated January 16, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Home are described in Note 1 to the financial statements. The application of existing policies was not changed during the fiscal year ended December 31, 2014. We noted no transactions entered into by the Home during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly significant to the financial statements and the possibility that future events affecting them may differ significantly from those expected. The most significant estimates and disclosures affecting the financial statement estimates are:

> Fair Value of Investments – Investments are reported at fair value based on the priority of the inputs to the valuation technique, and classified based on a three-level fair value hierarchy as discussed in Note 3.
>
> Depreciation – Management's estimate of the useful life of fixed assets is outlined in Note 1. Depreciation is computed on the straight-line method. The Home continually analyzes depreciable fixed assets for impairment which involves judgment and evaluation by management. Management has not identified any fixed assets as being impaired through December 31, 2014.

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Qualitative Aspects of Accounting Practices (continued)

Deferred Revenue Entrance Fees – Entrance fees paid by a resident upon entering into an agreement are amortized to income using the straight-line method over the remaining life expectancy of the resident. The entrance fees received under contract are generally refundable over a 100-month period and are amortized over the residents' life expectancy. As of December 31, 2014, there are no entrance fees that are subject to the refund provisions.

Charity Care – The cost of charity care is estimated utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care.

Obligation to Provide Future Services – The obligation to provide future services and the use of facilities to current residents should be calculated annually to determine whether a liability should be reported. The calculation was prepared by the Home as of December 31, 2014 and was based on accounting guidance specific to continuing care retirement communities and included assumptions about resident life expectancy, future costs and revenues and assumed a 4% discount rate. The present value of net future costs and revenues, considering the unamortized balance of deferred revenue and depreciation to be charged, did not result in a liability for future services at December 31, 2014. This internal calculation will need to be completed each year unless a new actuarial calculation is obtained.

The Home has considered the Financial Accounting Standards Board's (FASB) standard related to uncertainty in income taxes. This guidance requires organizations to evaluate tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities. The primary tax positions evaluated relate to the Homes' tax exempt status and the potential for unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of income tax contingencies are required.

We believe management's estimates are reasonable, based on our audit. However, estimates are subject to change because of future events, and the ultimate amounts realized may differ from those provided.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. A schedule of adjustments is provided at Exhibit A. Management has corrected all such misstatements. Exhibit B summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and therefore have not been recorded. In addition, reclassifying entries were needed to prepare financial statements in conformity with generally accepted accounting principles. A summary of these reclassifying entries is attached at Exhibit C.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 27, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Home's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Items of Consideration in the 2014 Audits

As discussed in our audit planning document, there are two new Accounting Standards: Health Care Entities (Topic 954) No. 2012-01 *Continuing Care Retirement Communities – Refundable Advance Fees*; and Not-for-Profit Entities (Topic 230) No. 2012-05 *Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (a consensus of the FASB Emerging Issues Task Force).*

> No. 2012-01: The Home properly reports deferred revenue and liabilities related to nonrefundable and refundable advance fees; management believes any amount expected to actually be refunded is not material. The change in ASU 2012-01 is that any portion of the refundable fee that is contingent on reoccupancy of a unit is to be reflected separately in deferred revenue. It is our understanding that this requirement does not apply to the Home's contracts.

> No. 2012-05: Cash receipts from donated debt or equity instruments that are converted nearly immediately into cash are classified as operating cash flows. Donated debt or equity instruments with donor restrictions for a long-term purpose are classified as a financing activity when converted to cash. Although there were no cash receipts from donated debt, our understanding is that the Home's policy is to immediately sell donated debt or equity instruments; these donations are usually not material and do not have donor restrictions of a long-term purpose. Therefore, these items are reported as operating on the statement of cash flows.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the auditors for the Home. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

With the closure of Marguerite Gardens, we understand that certain outcomes are unknown at this time. Areas affecting the financial reporting and disclosures impact the audit plan. We are interested in decisions related to:

- The future of the organization and how it will fulfill its charitable purpose to provide senior housing and health and human services to enrich the lives of the P.E.O. Sisterhood and older adults.
- Reclassification of permanently restricted new assets to unrestricted and temporarily restricted net assets. If the Attorney General's Office does not issue a nonobjection letter, the board will need to consider:
    - repayment of the endowment loan and
    - replenishment of endowment funds with deficiencies from 2010 and 2011 draws when amounts expended were not present.
- The sale of real and personal property.

We understand that the Board is in the process of evaluating these areas. Please keep up informed in decisions and outcomes regarding these and all other significant and material matters.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Audit Committee and management of the Home and is not intended to be and should not be used by anyone other than these specified parties.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California

Exhibit A – Adjusting Journal Entries
Exhibit B – Proposed Journal Entries
Exhibit C – Reclassifying Journal Entries

Exhibit A

Adjusting Journal Entries

For the Period Ending 12/31/2014

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To correct 2013 proposed adjustment booked by Home to recognize the cumulative change in value for Brame Trust.			
10-00-00-191119	Unrealized Brame	$ 28,096	$
10-00-00-221119	Brame Trust Fund		28,096
Total		**28,096**	**28,096**
Adjusting Journal Entries JE # 2			
To recognized 2014 change in value for Brame trust.			
10-00-00-191119	Unrealized Brame	61,592	
10-00-30-910533	Dividend/Interest - Brame		61,592
Total		**61,592**	**61,592**
Adjusting Journal Entries JE # 3			
To record the deferred compensation plan for 2014.			
10-00-00-196XXX	Nonqualified Deferred Compensation Plan - Asset	241,323	
10-00-00-214XXX	Nonqualified Deferred Compensation Plan - Liability		241,323
Total		**241,323**	**241,323**
Adjusting Journal Entries JE # 4			
To reconcile beginning permanently restricted net assets. Unrealized gains and losses are reported as change in principle according to the trust document.			
10-00-00-223120	Net Assets Released to Unrest (UPMIFA)	150,719	
10-00-00-221116	Endowment Fund		150,719
Total		**150,719**	**150,719**

Exhibit B

Proposed Journal Entries

For the Period Ending 12/31/2014

Account	Description	Debit	Credit	Effects on Ending Net Assets
Proposed JE # 1				
To reconcile accrued vacation listing with amount set up in general ledger.				
10-XX-10-60001X	Salaries And Wages - Various Dept	$ 12,851	$	$
10-00-00-246000	Fund Balance - Prior Years	3,687		
10-00-00-202201	Accrued Vacation		16,538	
Total		**16,538**	**16,538**	(16,538)
Proposed JE # 2				
To recognize accounts payable for services rendered in 2014.				
10-69-10-600090	Insurance-D&O, Auto, Liability - H.S.	10,417		
10-79-30-600079	Marketing Support - SHERPA	15,000		
10-00-00-201101	Accounts Payable		25,417	
Total		**25,417**	**25,417**	(25,417)
Proposed JE # 3				
To adjust for the fair value of the charitable remainder trust as of December 31, 2014.				
10-00-30-910601	Other Interest Income	6,005		
10-00-00-134702	Charitable Remainder Trust		6,005	
Total		**6,005**	**6,005**	(6,005)
		Total proposed journal entries		**$ (47,960)**

Exhibit C

Reclassifying Journal Entries

For the Period Ending 12/31/2014

Account	Description	Debit	Credit
Reclassifying Journal Entries JE # 1			
To recognize activities booked directly to net assets as current year activities.			
10-00-00-XXXXXX	Difference to balance	$ 2,814	$
10-00-00-221XXX	Temp Restricted Net Assets	10,902	
10-00-00-246002	General Fund	12,066	
10-00-30-9103XX	Temp Restricted Contributions	107,555	
10-00-30-9103XX	Perm Restricted Contributions	800	
10-00-00-221109	Sunshine Fund - Alhambra		10,902
10-00-00-221XXX	Temp Restricted Net Assets		89,032
10-00-00-222116	Endowment Fund Donations		800
10-00-00-246000	Fund Balance - Prior Years		14,880
10-00-30-915100	Assets Released From Rest. Sunshine		18,523
		134,137.00	**134,137.00**
Reclassifying Journal Entries JE # 2			
Reclass for financial statement presentation.			
10-00-00-10110X	Other Investments - Land & Mineral Rights (Fremont, WY)	30,000	
10-00-00-100501	Unrestricted Short Term Investment		30,000
Total		**30,000**	**30,000**
Reclassifying Journal Entries JE # 3			
2013 PAJE booked by Home to recognize the cumulative change in value for Brame Trust. Reclass done to reconcile beginning net assets and to recognize as current year income.			
10-00-00-221119	Brame Trust Fund	$ 28,728	$
10-00-30-910533	Dividend/Interest - Brame		28,728
Total		**28,728**	**28,728**

CALIFORNIA P.E.O. HOME
dba NAVIGAGE

Financial Statements and Supplemental Information for the Year Ended December 31, 2014 with Comparative Totals for the Year Ended December 31, 2013
and
Independent Auditor's Report

navigage™
reach. inspire. create.

CALIFORNIA P.E.O. HOME
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VICENTI ◆ LLOYD ◆ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Directors
California P.E.O. Home
dba Navigage
700 North Stoneman Avenue
Alhambra, CA 91801

We have audited the financial statements of California P.E.O. Home dba Navigage (the Home), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

The 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, we consider internal control relevant to the Home'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 Home'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.

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Email INFO@VLSLLP.COM ◆ Web WWW.VLSLLP.COM

Board of Directors
California P.E.O. Home
dba Navigage

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California P.E.O. Home as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Home's 2013 financial statements, and our report dated April 16, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses, in the supplemental information section, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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 as a whole.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
April 27, 2015

CALIFORNIA P.E.O. HOME
dba NAVIGAGE

STATEMENT OF FINANCIAL POSITION
December 31, 2014
with Comparative Totals as of December 31, 2013

ASSETS	December 31, 2014	December 31, 2013
Current Assets:		
Cash and cash equivalents (Note 2)	$ 453,558	$ 657,850
Cash held in trust - resident accounts	11,963	12,109
Investments (Note 3)	3,106,908	9,851,341
Accounts receivable	188,570	102,321
Inventory, prepaid expenses and deposits	78,211	69,419
Total Current Assets	3,839,210	10,693,040
Temporarily and Permanently Restricted Investments (Note 3)	479,898	855,855
Nonqualified Deferred Compensation Plan (Note 5)	241,323	191,543
Charitable Remainder Interest Receivable (Note 4)	10,710	10,710
Beneficial Interest in Trusts (Note 4)	2,370,637	2,271,649
	3,102,568	3,329,757
Property, Plant and Equipment, net (Note 6)	4,583,603	4,800,874
Total Assets	$ 11,525,381	$ 18,823,671

LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 58,011	$ 103,681
Accrued expenses	200,722	229,893
Line of credit (Note 8)	-	5,088,932
Trust liabilities - resident accounts	11,963	12,109
Total Current Liabilities	270,696	5,434,615
Nonqualified Deferred Compensation Plan (Note 5)	241,323	191,543
Deferred Revenue from Entrance Fees (Note 1)	263,075	371,292
Total Liabilities	775,094	5,997,450
Net Assets:		
Unrestricted	4,169,168	6,203,569
Temporarily restricted (Note 10)	1,537,337	1,615,467
Permanently restricted (Note 11)	5,043,782	5,007,185
Total Net Assets	10,750,287	12,826,221
Total Liabilities and Net Assets	$ 11,525,381	$ 18,823,671

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

CALIFORNIA P.E.O. HOME
dba NAVIGAGE

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2014
with Comparative Totals for the Year Ended December 31, 2013

	December 31, 2014				December 31, 2013
OPERATING REVENUE	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Total**
Residence fees, net (Note 9)	$ 2,685,979	$	$	$ 2,685,979	$ 2,456,092
Entrance fees - amortization	108,217			108,217	133,831
Sherpa membership and events	5,888			5,888	7,665
Investment income	476,296	102,411		578,707	582,725
Other service fees and miscellaneous revenue	31,905			31,905	44,590
Total revenue	3,308,285	102,411	-	3,410,696	3,224,903
OPERATING EXPENSES					
Health care	1,209,751			1,209,751	1,142,395
Independent living	102,468			102,468	125,276
Assisted living	187,766			187,766	180,325
Housekeeping, laundry and dietary	614,092			614,092	570,437
Sherpa	1,181,510			1,181,510	1,383,684
General and administrative	1,641,517			1,641,517	1,763,348
Plant operations and maintenance	543,148			543,148	561,491
Total expenses before depreciation	5,480,252	-	-	5,480,252	5,726,956
Depreciation (Note 6)	256,474			256,474	325,098
Total depreciation	256,474	-	-	256,474	325,098
Change in net assets from operations	(2,428,441)	102,411	-	(2,326,030)	(2,827,151)
NON-OPERATING GAINS (LOSSES) AND OTHER CHANGES IN NET ASSETS					
Contributions and gifts (Note 1)	21,553	14,458	200	36,211	108,785
Contributions and gifts returned to donor			(1,000)	(1,000)	-
Unrealized gain (loss) on investments (Note 3)	(779,864)	7,494		(772,370)	435,052
Realized gain (loss) on investments (Note 3)	948,509	1,387		949,896	146,826
Transfer of endowment funds with deficiencies (Note 10)	111,292	(111,292)		-	-
Change in beneficial interest in perpetual trusts			37,397	37,397	150,719
Gain (loss) on sale or disposal of property (Note 6)	(38)			(38)	639,345
Total non-operating gains (losses)	301,452	(87,953)	36,597	250,096	1,480,727
Net assets released from restrictions (Note 10)	92,588	(92,588)	-	-	-
Total non-operating gains (losses) and other changes in net assets	394,040	(180,541)	36,597	250,096	1,480,727
Change in net assets	(2,034,401)	(78,130)	36,597	(2,075,934)	(1,346,424)
NET ASSETS, BEGINNING OF YEAR	6,203,569	1,615,467	5,007,185	12,826,221	14,172,645
NET ASSETS, END OF YEAR	$ 4,169,168	$ 1,537,337	$ 5,043,782	$ 10,750,287	$ 12,826,221

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

CALIFORNIA P.E.O. HOME
dba NAVIGAGE

STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2014
with Comparative Totals for the Year Ended December 31, 2013

	December 31, 2014	December 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES AND NON-OPERATING GAINS(LOSSES):		
Cash received from resident fees	$ 2,599,730	$ 2,441,124
Cash received from memberships and events	5,888	7,665
Cash received from other operating activities	31,905	44,590
Cash received from contributions	36,011	59,463
Investment income received	490,999	543,818
Interest paid on line of credit/capital lease	(196,801)	(253,121)
Cash paid to suppliers and employees	(5,279,376)	(5,443,861)
Net cash used in operating activities and non-operating gains (losses)	(2,311,644)	(2,600,322)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(39,240)	(39,665)
Proceeds from sale of property	-	770,000
Purchase of investments	(375,111)	(874,569)
Proceeds from sale and maturity of investments	7,611,435	3,429,017
Net cash provided by investing activities	7,197,084	3,284,783
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for:		
Investment in endowment fund	(800)	49,322
Payment on line of credit	(5,088,932)	(747,702)
Payment on capital lease	-	(6,072)
Net cash used by financing activities	(5,089,732)	(704,452)
Net decrease in cash and cash equivalents	(204,292)	(19,991)
CASH BALANCES - BEGINNING OF YEAR	657,850	677,841
CASH BALANCES - END OF YEAR	$ 453,558	$ 657,850

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

CALIFORNIA P.E.O. HOME
dba NAVIGAGE

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014
with Comparative Totals for the Year Ended December 31, 2013

	December 31, 2014	December 31, 2013
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES AND NON-OPERATING GAINS(LOSSES):		
Change in net assets	$ (2,075,934)	$ (1,346,424)
Adjustments to reconcile change in net assets to net cash used by operating activities and non-operating gains (losses):		
Amortization of entrance fees	(108,217)	(133,831)
Depreciation	256,474	325,098
Net realized and unrealized gain on investments	(177,526)	(581,878)
Change in beneficial interest in perpetual trusts	(37,397)	(150,719)
Contributions restricted for long-term investments, net of transfers	800	(49,322)
(Gain) loss on sale of fixed assets	38	(639,345)
Decrease (increase) in operating assets:		
Accounts receivable	(86,249)	(14,968)
Inventory, prepaid expenses and deposits	(8,792)	(36,379)
Increase (decrease) in operating liabilities:		
Accounts payable	(45,670)	13,299
Accrued expenses	(29,171)	14,147
Net cash used by operating activities and non-operating gains (losses)	$ (2,311,644)	$ (2,600,322)

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

CALIFORNIA P.E.O. HOME
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NOTES TO FINANCIAL STATEMENTS
December 31, 2014
with Comparative Totals for the Year Ended December 31, 2013

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities - California P.E.O. Home, dba Navigage, (the Home) is a California non-profit public corporation trust as described in Section 501(c)(3) of the Internal Revenue Code and as such is exempt from federal income taxes. The Home is exempt from state franchise taxes under similar provisions for the State of California.

Marguerite Gardens - The Home operates a continuing care retirement community (CCRC), Marguerite Gardens, located in Alhambra, California. The Home serves approximately 40 P.E.O. members and other community residents under continuing care contracts and monthly rental agreements, providing services that enhance quality of life for those served through independent retirement living, assisted living and skilled nursing care. As discussed in Note 14, the Board of Directors approved the closure of Marguerite Gardens.

Sherpa – In August 2012, the Board of Directors approved the business plan for Sherpa. Sherpa is a membership community designed for people 50 and older to provide personalized services and options in areas such as lifelong learning, career changes, social engagement, technology education, and concierge services to fulfill the corporate purpose of providing health and human services for older adults. Membership consists of approximately 34 Marguerite Gardens residents and 139 others from the general public. Residents of Marguerite Gardens who are current members have opportunities to enhance their lifestyle and improve their quality of life through events, lectures, classes, dances, social gatherings, and professional assistance, which is consistent with the Home's tax exempt status. The Board of Directors approved a budget for Sherpa through the first quarter 2015 and will re-evaluate the continuation of this program at that time.

Basis of Accounting - The financial statements of the Home have been prepared on the accrual basis of accounting.

To account for the limitations and restrictions placed on the use of resources available to the Home, its accounts are maintained in accordance with the principles of fund accounting. Inter-fund transactions are not reflected in the financial statements as generally accepted accounting principles requires inter-fund activity to be eliminated.

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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Net Asset Classes - The Home classifies its net assets into three categories; unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets generally result from revenues from providing services, receiving unrestricted contributions, and receiving dividend and interest income, less expenses incurred in providing services, raising contributions, and performing administrative functions. The only limits on the use of unrestricted net assets are the broad limits resulting from the Home's mission as defined in its articles of incorporation and bylaws.

Temporarily restricted net assets are those whose use by the Home has been limited by donors to a specific time period or purpose.

Permanently restricted net assets have been restricted by donors to be maintained by the Home in perpetuity.

Cash and Cash Equivalents - Cash and cash equivalents include short term investments with a maturity of three months or less, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third-party payors.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position.

Accounts Receivable - Accounts receivable are stated at unpaid balances. Bad debts are accounted for by the direct write-off method, which is not materially different from the allowance method, as the Home does not expect to incur any significant uncollectible accounts. Receivables are considered impaired if full payment is not received in accordance with contractual terms. It is the Home's policy to charge off uncollectable accounts receivable when management determines the receivable will not be collected.

Inventory, Prepaid Expenses and Deposits - Inventory consists of food and kitchen supplies and is valued at cost. During 2014, inventory amounts were written off. Payments made to vendors for goods or services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which goods or services were consumed.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Property and Equipment - Property and equipment are stated at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. The Home maintains a capitalization threshold of $500. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Depreciation is computed on the straight-line basis over the estimated useful life of the assets. The estimated useful life for buildings and site improvements is 30-40 years and for equipment is 2-10 years. Beginning in 2007-08, certain items anticipated to be demolished per the proposed master plan, discussed in Note 13, were depreciated according to the anticipated construction phase.

Antique Collection - The antique collection includes donated furnishings, fine art, fine china and other collectibles. All items in the collection are deemed inexhaustible assets and therefore are not depreciated.

Deferred Revenue from Entrance Fees - Fees paid by a resident upon entering the Home are recorded as deferred revenue and are amortized to income using the straight-line method over the remaining life expectancy of the resident. The entrance fees received under contract are generally refundable over a 100-month period and are amortized over the residents' life expectancy. At December 31, 2014 and 2013, the balance of unamortized entrance fees was $263,075 and $371,292, respectively. Of these amounts, $16,480 was subject to the refund provisions in the contracts as of December 31, 2013. There are no entrance fees subject to the refund provisions in the contracts as of December 31, 2014. There are no anticipated refunds resulting from the closure of Marguerite Gardens, as discussed in Note 14 as none of the entrance fees are subject to the contract refund provisions as of December 31, 2014. Entrance fees will continue to be amortized until the resident is relocated.

Charity Care - Charity care is services provided to a patient or resident with the demonstrated inability to pay. The Home provided services to residents for which the costs to provide such services exceeds reimbursement. The estimated cost of charity care totaled approximately $84,400 and $88,600 for the years ended December 31, 2014 and 2013, respectively. The cost of charity care is estimated utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care. There were no funds received from gifts and grants to subsidize charity services provided.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Obligation to Provide Future Services - The Home annually calculates the present value of the net cost of future services and use of facilities to be provided to current continuing care contract residents and compares that amount with the future cash inflows from monthly fees and the balance of deferred revenue from advance fees. If the estimated present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability is recorded with a corresponding charge to income. For the years ended December 31, 2014 and 2013, the calculation resulted in no future service liability.

The discounted rate used for both years was 4.0%, based on the expected long-term rate of return on government obligations. The Home estimates the cost of future services and the use of facilities in calculating the future obligation. The estimated amount of the obligation is based on actuarial assumptions such as life expectancy, projected future monthly resident fees, projected future operating costs and estimated future inflation rate. Actual results will differ from those estimates.

Net Patient Service Revenue - The Home has agreements with third-party payors that provide for payments to the Home at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Contributions and Donor-Restricted Gifts - Contributions, including unconditional promises to give are recognized as revenues in the period the contribution or unconditional promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift. See Notes 10 and 11 for additional information.

The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When a donor's restriction is met within the same year as the donation, the donation is reported as unrestricted.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Contributed Services - During the years ended December 31, 2014 and 2013, the value of non-cash contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, individuals volunteer their time and perform a variety of tasks that assist the Home, but these services do not meet the criteria for recognition as contributed services.

Marketing Support and Promotion - The Home advertises to promote Sherpa; ongoing costs are expensed as incurred. Advertising expense for the years ended December 31, 2014 and 2013 was $723,127 and $886,893, respectively.

Change in Net Assets from Operations - The statement of activities includes the change in net assets from operations. Changes in net assets which are excluded from the change in net assets from operations include realized and unrealized gains and losses on investments and contributions, including contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Income Taxes - The Home has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Home's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Home files informational returns in the U.S. federal jurisdiction and the state of California. With few exceptions, the Home is no longer subject to U.S. federal and state examinations by tax authorities for generally three and four years, respectively.

Comparative Totals - The financial statements and notes include certain prior-year summarized comparative information in total, but not by net asset class. Accordingly, such information should be read in conjunction with the Home's financial statements for the year ended December 31, 2013.

Reclassifications - Certain amounts in the 2013 financial statements have been reclassified to conform with the 2014 presentation.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Subsequent Events - The Home has evaluated subsequent events through April 27, 2015, which is the date these financial statements were available to be issued. The announcement of the Home's closure was made in March 2015. See Note 14 for further information regarding this closure. There are no additional subsequent events requiring recognition or disclosure.

NOTE 2 - CONCENTRATION OF CREDIT RISK:

Custodial credit risk is the risk that in the event of a bank failure, the Home's deposits may not be returned to it. The Home maintains cash balances that at times are in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2014 and 2013 the Home had no cash balances in financial institutions that exceeded FDIC limits.

The Home routinely invests its surplus operating funds in marketable equity and debt securities. These investments are not insured or guaranteed by the U.S. Government; however, management believes that credit risk to these investments is minimal.

NOTE 3 - INVESTMENTS:

The investment income and net realized and unrealized gains and losses for the years ended December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Interest and dividends	$ 643,333	$ 662,321
Investment expense	(64,626)	(79,596)
Net investment income	$ 578,707	$ 582,725
Net unrealized gains (losses)	$ (772,370)	$ 435,052
Net realized gains	949,896	146,826

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December 31, 2014
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NOTE 3 - INVESTMENTS: (continued)

The Home's investments at December 31, 2014 and 2013 are as follows:

	December 31, 2014		December 31, 2013	
	Fair Value	Cost	Fair Value	Cost
Level 1				
U.S. Government securities	$ 51,551	$ 52,322	$ 50,949	$ 52,322
Corporate bonds	2,159,500	2,188,191	6,152,933	6,136,412
Equity securities	1,307,269	981,855	4,029,815	2,976,642
Other investments	38,486	38,486	443,499	443,499
	3,556,806	3,260,854	10,677,196	9,608,875
Level 3				
Investment land	30,000	30,000	30,000	30,000
Total investments	$ 3,586,806	$ 3,290,854	$ 10,707,196	$ 9,638,875
Unrestricted Investments	$ 3,106,908		$ 9,851,341	
Temporarily and Permanently Restricted Investments	479,898		855,855	
	$ 3,586,806		$ 10,707,196	

For fair value measurement and disclosure purposes, levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

Level 1 - quoted prices in an active market for identical assets.
Level 2 - quoted prices for similar assets and market-corroborated inputs.
Level 3 - the Home's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

All investments held by the Home are level 1 – quoted prices in an active market for identical assets, with the exception of donated land. The land is located in Fremont, Wyoming and generates monthly royalty payments for mineral rights. The fair value of the land, measured using level 3 inputs, is the amount offered to purchase the investment land in February 2011 from a joint shareholder.

There were no changes in assets measured at fair value using level 3 inputs on a recurring basis for the year ended December 31, 2014.

NOTE 4 - CHARITABLE REMAINDER AND INCOME BENEFICIARY TRUSTS:

Charitable Remainder Interest Receivable

The Home is the beneficiary of a charitable gift annuity administered by the Presbyterian Church (U.S.A) Foundation. In accordance with the donors' instruction upon the donors' death, the Home is to receive 50% of the remainder value of the life income fund held in the administrator's custody. The amount is reported as a receivable from charitable remainder interests, since the contribution will be received after the contributor's death. The residual portion of this donation in the amount of $10,710 has been recorded as an unrestricted contribution. Any portion of the annuity remaining at the death of the donor will be recognized as an additional contribution at that time.

Beneficial Interest in Trust

The Home is an income beneficiary in two trusts. The Phelps trust is held in perpetuity on behalf of the Home while the Home is a beneficiary of the Brame Trust; as such, both trusts are recorded in the Home's statement of financial position. The Brame Trust assets will be held on behalf of its beneficiaries for twenty years at which time the assets will be distributed. The Brame Trust is irrevocable and was established in 2008. On December 31, 2014 and 2013, the market values of the trusts' assets totaled $2,370,637 and $2,271,649, respectively. Income distributed to the Home by the trusts amounted to $158,125 and $96,011 in years ended December 31, 2014 and 2013, respectively. Earnings are unrestricted and available for general operating expenses.

NOTE 5 - RETIREMENT AND DEFERRED COMPENSATION PLANS:

The Home adopted a 403(b) Retirement Savings Plan, a defined-contribution plan, for its employees effective March 1, 1997. The plan covers all employees who are at least 21 years of age with one or more years of service. The Home's contribution is based on 100% of the first 3% of salary deferral elected by each individual employee. The Home's contributions for the years ended December 31, 2014 and 2013 were $31,158 and $38,793, respectively. The Home has no liability for the administration or payment of the plan and accordingly, the present value of the related vested benefits is not reflected in these financial statements. The Qualified Retirement Plan is administered by American United Life Insurance Company, the trustee. The Home has less than 100 participants.

NOTE 5 - RETIREMENT AND DEFERRED COMPENSATION PLANS: (continued)

The Home offers an Internal Revenue Service Section 457 Deferred Compensation Plan for its President/CEO. Under the plan, the Home contributes no less than 20% of the employee's total compensation to an Internal Revenue Code section 457(f) plan plus any shortfall in the Home's contribution to the 403(b) due to highly compensated employee rules for employee's benefits. The Home's contributions for the years ended December 31, 2014 and 2013 were $38,709 and $35,459, respectively. The plan is nonqualified and the Home manages the plan; accordingly, the fair value of related unvested benefits are reflected in these financial statements. The benefits will be vested January 30, 2016. The Deferred Compensation Plan is administered by Principal Financial Group, the trustee.

NOTE 6 - PROPERTY AND EQUIPMENT:

A summary of property and equipment, at cost, for the years ended December 31, 2014 and 2013 follows:

	December 31, 2014	December 31, 2013
Land	$ 805,768	$ 805,768
Buildings and improvements	14,769,983	14,769,983
Furniture and equipment	2,081,685	2,431,994
	17,657,436	18,007,745
Less accumulated depreciation	(13,143,163)	(13,276,201)
	4,514,273	4,731,544
Antiques	69,330	69,330
	$ 4,583,603	$ 4,800,874

In October 2013, parking lot property was sold for $770,000. The parking lot was partially depreciated and the gain on the sale of the property was $639,345.

There was no capitalized interest recorded for the years ended December 31, 2014 and 2013. Depreciation expense for the years ended December 31, 2014 and 2013 was $256,474 and $325,098, respectively.

NOTE 7 - INTER-FUND BORROWING:

In July 2011, the Board approved an internal loan of $1 million from endowment funds to provide for working capital. In August 2012 and July 2013, the Board approved to increase the internal loan to $2.0 million and $2.5 million, respectively. The internal loan bears an interest rate of 4.25%. Interest was originally due quarterly with the principal amount due January 2015. The Board is in the process of amending the original promissory note and loan document. Inter-fund borrowing transactions are not reflected in the financial statements as U.S. generally accepted accounting principles require inter-fund activity to be eliminated. However, reported in the statement of activities are the transactions that occur between unrestricted and temporarily restricted net assets.

For the year ended December 31, 2014 and 2013, inter-fund borrowing totaling $2,145,381 and $1,658,323, respectively, for principal and interest was eliminated. The allocation of interest expense on restricted endowment borrowing is recognized in expenses for the general and administrative supporting services reported in the schedule of functional expenses, while investment income is recognized in temporarily restricted activities.

Inter-fund borrowing and activities for the years ended December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Beginning balance	$ 1,658,323	$ 50,000
Draws	399,350	1,900,000
Interest expense	87,708	38,907
Payments	-	(330,584)
Ending balance	$ 2,145,381	$ 1,658,323

NOTE 8 - LINE OF CREDIT:

The Home has an operating line of credit for $7.0 million with American Business Bank and is secured by the unrestricted investment account. Interest is payable monthly at a fixed interest rate of 5.75% through October 2012 and 4.5% thereafter. The line of credit's due date has been renegotiated each year. As of December 31, 2013 the line of credit was due March 2014; however, this was renegotiated in March 2014 until March 2015. As of December 31, 2014, the line of credit was paid off. The outstanding balance at December 31, 2013 was $5,088,932.

The line of credit activities for the years ended December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Beginning balance	$ 5,088,932	$ 5,836,634
Interest expense	196,801	252,298
Interest payments	(196,801)	(252,298)
Payments	(5,088,932)	(747,702)
Net payments	(5,285,733)	(1,000,000)
Ending balance	$ -	$ 5,088,932

NOTE 9 - RESIDENCE FEES AND PATIENT SERVICE REVENUE:

Residence fees and patient service revenue at December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Independent living	$ 381,154	$ 467,980
Assisted living	174,490	264,532
Skilled nursing	2,130,335	1,723,580
Total residence fees, net	$ 2,685,979	$ 2,456,092
Skilled nursing	$ 2,355,268	$ 2,111,530
Less contractual provisions	(217,153)	(383,225)
Less bad debt	(7,780)	(4,725)
Net patient service revenue	$ 2,130,335	$ 1,723,580

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NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets at December 31, 2014 are available for the following purposes:

	Beginning Balance December 31, 2013	Net Assets Received or Transferred	Net Assets Released	Ending Balance December 31, 2014
PURCHASE OF BUILDING AND EQUIPMENT				
Alhambra Unit	$ 1,480,208	$	$ (58,794)	$ 1,421,414
	1,480,208	-	(58,794)	1,421,414
PURCHASE FOR SPECIFIC OPERATING PURPOSES				
Benevolent Fund	-	295	(295)	-
Health Unit	13,735	1,241	(14,976)	-
P.E.O. Sisters	844			844
Golden Account	1,400			1,400
Sunshine	12,121	12,922	(18,523)	6,520
Brame Trust	107,159			107,159
	135,259	14,458	(33,794)	115,923
	1,615,467	14,458	(92,588)	1,537,337
TRANSFER OF ENDOWMENT FUNDS WITH DEFICIENCIES				
Endowment (Note 12)	-	111,292	(111,292)	-
	-	111,292	(111,292)	-
	$ 1,615,467	$ 125,750	$(203,880)	$ 1,537,337

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NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS: (continued)

Temporarily restricted net assets at December 31, 2013 are available for the following purposes:

	Beginning Balance December 31, 2012	Net Assets Received or Transferred	Net Assets Released	Ending Balance December 31, 2013
PURCHASE OF BUILDING AND EQUIPMENT				
Alhambra Unit	$ 1,480,208	$	$	$ 1,480,208
	1,480,208	-	-	1,480,208
PURCHASE FOR SPECIFIC OPERATING PURPOSES				
Benevolent Fund	-	876	(876)	-
Health Unit	16,480		(2,745)	13,735
P.E.O. Sisters	794	50		844
Golden Account	1,400			1,400
Sunshine	21,630	22,081	(31,590)	12,121
Brame Trust	107,159			107,159
	147,463	23,007	(35,211)	135,259
TRANSFER OF ENDOWMENT FUNDS WITH DEFICIENCIES				
Endowment (Note 12)	-	128,151	(128,151)	-
	-	128,151	(128,151)	-
	$ 1,627,671	$ 151,158	$(163,362)	$ 1,615,467

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets are as follows:

	December 31, 2014	December 31, 2013
Endowment Fund - Earnings which are Unrestricted	$ 2,499,823	$ 2,500,623
Harvey W. And Alice H. Parmelee Fund	342,074	342,074
Endowed permanently restricted net assets	2,841,897	2,842,697
Beneficial Interest in Perpetual Trusts: Phelps Memorial Trust	2,201,885	2,164,488
Total permanently restricted net assets	$ 5,043,782	$ 5,007,185

NOTE 12 - ENDOWMENT:

The Home's endowment consists of two individual endowments, the unrestricted endowment fund and the Parmalee Endowment, established for the Home's charitable purpose. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Home does not currently have board designated funds functioning as endowments.

Interpretation of Relevant Law - The Board of Directors of the Home have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Home classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Home has a policy of appropriating for distribution each year up to 5%. No distributions were taken during 2014 or 2013.

NOTE 12 - ENDOWMENT: (continued)

Return Objectives, Risk Parameters and Strategies - The Home has adopted an investment policy which maximizes return at an appropriate level of risk within the constraints of general economic conditions. The primary investment objective of the portfolio is to earn a total return over time, sufficient to meet the budgetary need for current income plus preserve the real (inflation adjusted) purchasing power of the endowment. The endowment portfolio is diversified both by asset class (equities and fixed-income securities) and within asset classes (within equities by economic sector, geographic area, industry, quality, and size). The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the portfolio's aggregate results.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Home to retain as a fund of perpetual duration. Deficiencies of this nature, totaling $158,143 as of December 31, 2014 and $269,435 as of December 31, 2013, have been reported in unrestricted net assets in accordance with generally accepted accounting principles.

Changes in Endowment Net Assets for the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (269,435)	$ -	$ 2,842,697	$ 2,573,262
Investment return:				
Investment income, net of expenses		102,411		102,411
Net appreciation (realized and unrealized)		8,881		8,881
Total investment return	-	111,292	-	111,292
Other changes:				
Contributions			200	200
Contributions returned to donor			(1,000)	(1,000)
Transfer of funds with deficiencies	111,292	(111,292)		-
Total other changes	111,292	(111,292)	(800)	(800)
Endowment net assets, end of year	$ (158,143)	$ -	$ 2,841,897	$ 2,683,754

NOTE 12 - ENDOWMENT: (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (397,586)	$ -	$ 2,793,375	$ 2,395,789
Investment return:				
Investment income, net of expenses		97,311		97,311
Net appreciation (realized and unrealized)		30,840		30,840
Total investment return	-	128,151	-	128,151
Other changes:				
Contributions			49,322	49,322
Transfer of funds with deficiencies	128,151	(128,151)		-
Total other changes	128,151	(128,151)	49,322	49,322
Endowment net assets, end of year	$ (269,435)	$ -	$ 2,842,697	$ 2,573,262

NOTE 13 - ACCUMULATED EXPENSES FOR THE REDSTONE PROJECT:

In August 2007, the Home started a repositioning master plan of the Alhambra, California campus. The master plan, referred to as the Redstone Project, was designed to meet the needs of the organization by providing additional housing and facilities for residents, which is consistent with the Home's tax exempt status. Adjacent properly was purchased and a line of credit for approximately $7.0 million (Note 8) and a mortgage loan for $2.0 million was obtained and designated for the Redstone Project.

During 2012, the Board of Directors approved to discontinue the Redstone Project in which the property purchased for the project was sold and the mortgage loan was paid off. During 2014, the remaining amount on the line of credit was paid off.

As of December 31, 2014 and 2013 there were accumulated expenses of approximately $13.9 million and $13.7 million, respectively. As of December 31, 2014, there is no remaining debt associated with the project.

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NOTE 14 - MARGUREITE GARDENS CLOSURE:

On September 5, 2014, the Board of Directors approved the closure of Marguerite Gardens, based on continued decline in census and ongoing annual losses of approximately $2.0 million a year over the previous four years. The Skilled Nursing Facilities Relocation Plan has been approved by the Department of Public Health and the negotiations for the relocations of residents are in process. The closure of the facility will be effective when the last resident is relocated, which is expected to be July 2015. The estimated costs to close the facility include the costs to relocate residents or terminate existing contracts of residents, terminate all employees at the facility, and maintain the property until it is sold or otherwise disposed of. Closing costs as well as estimated operating losses is approximately $1.2 million. These charges will be recorded in the fiscal year 2015.

Financial information for Marguerite Gardens for fiscal years 2014 through 2010 is listed below. The information below is extracted from previously audited data.

	2014	2013	2012	2011	2010*
Operating revenue, excluding investments	$ 2,831,989	$ 2,642,178	$ 3,207,538	$ 3,709,868	$ 2,771,597
Operating expense, excluding Redstone Sherpa, interest and depreciation	(4,014,233)	(4,051,244)	(4,360,076)	(4,894,203)	(4,096,693)
Operating loss	$(1,182,244)	$(1,409,066)	$(1,152,538)	$(1,184,335)	$(1,325,096)

*During 2010, the Home changed its fiscal year end from February 28th to December 31st. As a result, the December 31, 2010 financial information consists of ten months of activity.

Census data for fiscals year 2014 through 2010 are as follows:

	2014	2013	2012	2011	2010
Beginning	40	45	60	64	74
Ending	37	40	45	60	64
Average	40	42	52	67	65

The board is in the process of evaluating the future of the organization and how it will fulfill its charitable purpose to provide senior housing and health and human services to enrich the lives of the P.E.O. Sisterhood and older adults.

SUPPLEMENTAL INFORMATION

CALIFORNIA P.E.O. HOME
dba NAVIGAGE

SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014
with Comparative Totals for the Year Ended December 31, 2013

	PROGRAM SERVICES						SUPPORTING SERVICES				
	Health Care	Independent Living	Assisted Living	Housekeeping, Laundry and Dietary	Sherpa	Total Program Services	General and Administrative	Plant Operations Maintenance	Total Supporting Services	Total Expenses 2014	Total Expenses 2013
Salaries and wages	$ 792,699	$ 55,415	$ 125,455	$ 215,392	$ 347,053	$1,536,014	$ 618,779	$ 152,197	$ 770,976	$ 2,306,990	$ 2,313,882
Employee benefits	164,629	13,248	28,242	48,529	79,628	334,276	151,866	43,518	195,384	529,660	506,148
Workers' compensation insurance	84,373	5,978	24,756	22,870	3,752	141,729	22,962	19,684	42,646	184,375	175,580
Other administrative expenses	3,628	9,876	4,844	772	26	19,146	67,207	10	67,217	86,363	105,447
Dues, licenses and subscriptions	394	279			3,459	4,132	38,209		38,209	42,341	39,651
Insurance						-	157,778		157,778	157,778	204,492
Interest expense - external						-	196,801		196,801	196,801	253,121
Interest expense - internal						-	87,708		87,708	87,708	38,907
Professional fees	30,563				3,695	34,258	134,395		134,395	168,653	155,230
Contract services				122,145		122,145			-	122,145	124,249
Purchased services	25,964	12,137	2,714	14,035		54,850	101,610	46,765	148,375	203,225	289,702
Marketing support and promotion					723,127	723,127			-	723,127	886,893
Events					2,311	2,311			-	2,311	5,510
Repairs and maintenance						-		48,470	48,470	48,470	28,273
Supplies and equipment	107,408	4,354	1,755	190,349	12,543	316,409	21,083	19,127	40,210	356,619	336,932
Taxes						-	21,986		21,986	21,986	23,294
Telephone	93	1,181			5,916	7,190	9,688	1,239	10,927	18,117	16,834
Board expense						-	11,445		11,445	11,445	14,923
Utilities						-		212,138	212,138	212,138	207,888
Total expenses before depreciation	1,209,751	102,468	187,766	614,092	1,181,510	3,295,587	1,641,517	543,148	2,184,665	5,480,252	5,726,956
Depreciation						-		256,474	256,474	256,474	325,098
	$1,209,751	$ 102,468	$ 187,766	$ 614,092	$1,181,510	$3,295,587	$ 1,641,517	$ 799,622	$ 2,441,139	$ 5,736,726	$ 6,052,054

See Independent Auditor's Report

RECEIVED
MAY 05 2015
CONTINUING CARE
CONTRACTS BRANCH

CALIFORNIA P.E.O. HOME
DBA NAVIGAGE

STATE OF CALIFORNIA
CONTINUING CARE RESERVE REPORT

For the Year Ended December 31, 2014
and
Independent Auditor's Report

VICENTI ♦ LLOYD ♦ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

RECEIVED
MAY 05 2015
CONTINUING CARE
CONTRACTS BRANCH

INDEPENDENT AUDITOR'S REPORT

Board of Directors
California P.E.O. Home
dba Navigage

We have audited the accompanying continuing care reserve report of California P.E.O. Home dba Navigage (the Home), a California Not-For-Profit Corporation, as of and for the year ended December 31, 2014.

Management's Responsibility for the Continuing Care Reserve Report

Management is responsible for the preparation and fair presentation of the continuing care reserve report in accordance with the reporting provisions 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 continuing care reserve report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the continuing care reserve report 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 continuing care reserve report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the continuing care reserve report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the continuing care reserve report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Home's preparation and fair presentation of the continuing care reserve report 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 Home's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the continuing care reserve report.

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

2210 E. Route 66, Ste. 100, Glendora, CA 91740 ♦ Tel 626.857.7300 ♦ Fax 626.857.7302
915 Wilshire Boulevard, Ste. 2250, Los Angeles, CA 90017 ♦ Tel 213.550.5422
Email INFO@VLSLLP.COM ♦ Web WWW.VLSLLP.COM

Opinion

In our opinion, such continuing care reserve report Forms 5-1 through 5-5 present fairly, in all material respects, the liquid reserve requirements of the Home at December 31, 2014, in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

Basis of Accounting

The continuing care reserve report is prepared for the purpose of complying with the California Health and Safety Code Section 1792 and is not intended to be a complete presentation of the Home's assets, liabilities, revenues and expenses and as such is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Restriction of Use

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

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
April 27, 2015

FORM 1-1
RESIDENT POPULATION - ALHAMBRA

LINE	CONTINUING CARE RESIDENTS	TOTAL
1	NUMBER AT BEGINNING OF FISCAL YEAR	29
2	NUMBER AT END OF FISCAL YEAR	21
3	TOTAL LINES 1 AND 2	50
4	MULTIPLY LINE 3 BY ".50" AND ENTER RESULT ON LINE 5	x.50
5	MEAN NUMBER OF CONTINUING CARE RESIDENTS	25
	ALL RESIDENTS	
6	NUMBER AT BEGINNING OF FISCAL YEAR	40
7	NUMBER AT END OF FISCAL YEAR	37
8	TOTAL LINES 6 AND 7	77
9	MULTIPLY LINE 8 BY ".50" AND ENTER RESULT ON LINE 10	x.50
10	MEAN NUMBER OF ALL RESIDENTS	39
11	DIVIDE LINE 5 BY LINE 10 AND ENTER THE RESULT	0.64

FORM 1-2
ANNUAL PROVIDER FEE

LINE			TOTAL
1	TOTAL OPERATING EXPENSES		5,736,726
a	DEPRECIATION	256,474	
b	DEBT SERVICE(INTEREST ONLY)	196,801	
2	SUBTOTAL (add Line 1a and 1b)		453,275
3	SUBTRACT LINE 2 FROM LINE 1 AND ENTER RESULT		5,283,451
4	PERCENTAGE ALLOCATED TO CONTINUING CARE RESIDENT (LINE11)		0.64
5	TOTAL OPERATING EXPENSE OF CONTINUING CARE RESIDENTS MULTIPLY LINE 3 BY LINE 4		3,381,409
6	**TOTAL AMOUNT DUE** (LINE 5 BY .001)		**3,381**

PROVIDER: **CALIFORNIA P.E.O. HOME**

COMMUNITY: **MARGUERITE GARDENS**

FORM 1-1 and FORM 1-2

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d)
1	8/26/2008	1,000,000	196,801	0	1,196,801
2	Various	0	87,708	0	87,708
3					
4					
5					
6					
7					
8					
		TOTAL	284,509	0	1,284,509

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

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

Provider: **California PEO Home**

Comments from Provider:

1) Line of Credit - Quarterly payments of $250,000 were made towards the principal and the interest and the balance was paid off on December 9, 2014. As of December 31, 2014, this debt had been paid in full.

2) For the year ended December 31, 2013 net inter-fund activity totaled $1,658,323. This debt is excluded from 2013 Form 5-2 as the Home has classified this debt as short term borrowing. During 2014, additional amounts were borrowed and the debt had not been repaid; therefore, interest payments are reflected on Form 5-2 as it would be difficult to separate out. The note was originally due in January 2015; however, the Board is in the process of amending this agreement. For the year ended December 31, 2014 net inter-fund activity totaled $2,145,381.

FORM 5-2
LONG-TERM DEBT INCURRED
DURING FISCAL YEAR
(INCLUDING BALLOON DEBT)

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

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

Comments from Provider:

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

Provider: **California P.E.O. Home**

Comments from Provider:

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

LINE		TOTAL
1	Total from form 5-1 bottom of Column (e)	1,284,509
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:**	1,284,509

PROVIDER: CALIFORNIA P.E.O. HOME

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

MOUNT			TOTAL
1	TOTAL OPERATING EXPENSE FROM FINANCIAL STATEMENT		5,736,726
2	DEDUCTIONS		
a	INTEREST PAID ON LONG-TERM DEBT	196,801	
b	CREDIT ENHANCEMENT PREMIUMS PAID FOR LONG-TERM DEBT	0	
c	DEPRECIATION	256,474	
d	AMORTIZATION	0	
e	REVENUE RECEIVED DURING FISCAL YEAR FOR SERVICES TO RESIDENTS WHO DID NOT HAVE A CONTINUING CARE CONTRACT	1,083,432	
f	EXTRAORDINARY EXPENSES APPROVED BY THE DEPARTMENT	0	
3	TOTAL DEDUCTIONS		1,536,707
4	NET OPERATING EXPENSES		4,200,019
5	DIVIDE LINE 4 BY 365 AND ENTER THE RESULT		11,507
6	**MUTIPLY LINE 5 BY 75 AND ENTER THE RESULT** THIS IS THE PROVIDER'S OPERATING EXPENSE RESERVE AMT		**863,025**

PROVIDER: CALIFORNIA PEO HOME

COMMUNITY: MARGUERITE GARDENS

California P.E.O. Home
Continuing Care Contract Annual Report -
Reconciliation Page
December 31, 2014

Form 5-4

[2] [e]	Revenues received during the fiscal year for services to residents who did not have a continuing care contract:		
	Cash received from residents (Statement of Cash Flows)	2,599,730	
	Continuing Care Contract monthly fees:		
	Marguerite Gardens	(1,516,298)	subtract
		1,083,432	total should agree with d33 below when completed
	Detailed Explanation on Deduction:		
	Resident fees (non-continuing care)		
	Marguerite Gardens	-	
	Assisted Living Fees		
	Marguerite Gardens	-	
	Skilled Nursing Facility		
	Marguerite Gardens	1,078,169	
	Other non-resident revenue		
	Marguerite Gardens	5,263	
		1,083,432	
		-	

FORM 5-5
ANNUAL RESERVE CERTIFICATION

PROVIDER NAME: CALIFORNIA PEO HOME
FISCAL YEAR ENDED: 12/31/14

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/14 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	1,284,509
2	OPERATING EXPENSE RESERVE AMOUNT	863,025
3	**TOTAL LIQUID RESERVE AMOUNT**	**2,147,534**

QUALIFYING ASSETS SUFFICIENT TO FULFILL THE ABOVE REQUIREMENTS ARE HELD AS FOLLOWS:

		AMOUNT (MARKET VALUE AT END OF YEAR)			
	QUALIFYING ASSETS DESCRIPTION		**DEBT SERVICE RESERVE**		**OPERATING RESERVE**
4	CASH AND CASH EQUIVALENTS		453,558		453,558
5	INVESTMENT SECURITIES		1,925,043		1,925,043
	EQUITY SECURITIES		1,151,865		1,151,865
7	UNUSED/AVAIL. LINES OF CREDIT				
8	UNUSED/AVAIL. LETTERS OF CREDIT				
	DEBT SERVICE RESERVE				
10	OTHER: (DESCRIBE)				
	TOTAL AMOUNT OF QUALIFYING ASSETS LISTED FOR RESERVE OBLIGATION:	11	3,530,466	12	3,530,466
	RESERVE OBLIGATION AMOUNT	13	1,284,509	14	863,025
	SUPLUS / (DEFICIENCY)	15	2,245,957	16	2,667,441

SIGNATURE:

AUTHORIZED REPRESENTATIVE

DATE

Chief Executive Officer
TITLE

CCRC FORM 5-5 WORKSHEET
FY12/14

		ALH	SJ	TREAS	TOTAL
CASH					
	CONCENT ACCT	-	-	-	
	CHECKING	4,776.86	-	-	
	PAYROLL	5.93	-	-	
	SHORTER	-	-	-	
	SUNSHINE	6,520.05	-	-	
	PETTY CASH	4,000.00	-	-	
	WELLS FARGO	-	-	-	
		15,302.84	-	-	15,302.84
	UNRESTRICTED MONEY MARKET				438,255.45
	TOTAL CASH AND EQUIVALENT				**453,558.29**
				CK	453,558.29
					-
UNRESTRICTED INVESTMENT SECURITIES					
	FIXED INCOME, A RATED			1,925,043.10	1,925,043.10
	FIXED INCOME, B RATED			-	
	(Norfolk Southern)			1,925,043.10	
					1,925,043.10
	EQUITY SECURITIES			**1,151,865.30**	
	CASH & EQUIV			453,558.29	
	TOTAL PORTFOLIO			3,530,466.69	
		CK		3,530,466.69	
				-	

DSS - Reserve Report Part of Form 5-5
Description of Reserves Under SB 1212

Total Qualifying Assets as Filed:		
Cash and Cash Equivalents	453,558	
Investment Securities	3,076,908	Investment policy is roughly 70% fixed income and 30% equities
Unused Line of Credit	-	
Total Qualifying Assets as Filed	3,530,466	
Reservations and Designations:		
None		
Remaining Liquid Reserves	3,530,466	

Per Capital Cost of Operations

Operating Expenses (Form 5-4, line #1)	5,736,726
Mean # of CCRC Residents (Forn 1-1, line #10)	39
Per Capita Cost of Operations	147,096

FINANCE SUMMARY

FOR FORM 1

	FY 12/14 ALH	SJ	Treas	TOTAL
OPER. EXP	5,736,726	-	-	5,736,726
DEPR	256,474	-	-	256,474
LOC INTEREST	196,801	-	-	196,801
ENDOWMENT FUND BORROWING	87,708	-	-	87,708

FOR DISCLOSURE

CONSOLIDATED	FY11	FY12	FY13	FY14	
OPERATING REVENUE	4,233,502	3,764,634	3,224,903	3,410,696	
AMORT. ENT FEE	(241,030)	(218,446)	(133,831)	(108,217)	
	3,992,472	**3,546,188**	**3,091,072**	**3,302,479**	
TOTAL EXPENSE	6,901,978	5,544,155	6,052,054	5,736,726	
REDSTONE MARKETING	-761,854	-158,338			
AMORTIZATION	-26,667	-21,333	0	0	
DEPRECIATION	-831,474	-415,813	-325,098	-256,474	
	5,281,983	**4,948,671**	**5,726,956**	**5,480,252**	
LOC INTEREST, LEASE & MORTGAGE	**426,649**	**381,326**	**292,028**	**284,509**	**284,509**

ABB

Continuing Care Retirement Community Disclosure Statement General Information

Date prepared: April 1, 2015

FACILITY NAME: MARGUERITE GARDENS
ADDRESS: 700 NORTH STONEMAN AVE, ALHAMBRA, CALIFORNIA ZIP CODE: 91801 PHONE: (626) 300-0400
PROVIDER NAME: CALIFORNIA P.E.O. HOME FACILITY OPERATOR: CALIFORNIA P.E.O. HOME
RELATED FACILITIES: ______ RELIGIOUS AFFILIATION: NONE
YEAR OPENED: 1976 (ccrc) NO. OF ACRES: 2.19 MULTI –STORY ____ SINGLE STORY: ____ BOTH: X
MILES TO SHOPPING CENTER: ½ MILE MILES TO HOSPITAL: 3 ½ MILES

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENT – STUDIO	58	ASSISTED LIVING	26
APARTMENT – 1 BDRM	16	SKILLED NURSING	44
APARTMENT - 2 BDRM	1	SPECIAL CARE	
COTTAGE/ HOUSES	0	DESCRIBE SPECIAL CARE	NON-CCRC
% OCCUPANCY AT YEAR END	26%		

TYPE OF OWNERSHIP: [x] NOT FOR PROFIT [ ] FOR PROFIT [ ] ACCREDITED: [ ] Y [x] N BY: ______

FORM OF CONTRACT: [ ] LIFE CARE [x] CONTINUING CARE [ ] FEE FOR SERVICE
[ ] ASSIGN ASSETS [ ] EQUITY [ ] ENTRY FEE [ ] RENTAL

REFUND PROVISIONS (CHECK ALL THAT APPLY): [ ] 90% [ ] 75% [ ] 50% [x] PRORATED TO 0% [ ] OTHER: ______

RANGE OF ENTRANCE FEES: $ 67,000 TO $ 200,000 **LONG-TERM CARE INSURANCE REQUIRED?** [ ] YES [x] NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: none

ENTRY REQUIREMENTS: MINIMUM AGE: 60 PRIOR PROFESSION: N/A OTHER: NONE

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	[ ]	[x]
BILLIARD ROOM	[ ]	[ ]
BOWLING GREENS	[ ]	[ ]
CARD ROOMS	[x]	[ ]
COFFEE SHOP	[ ]	[ ]
CRAFT ROOMS	[x]	[ ]
EXERCISE ROOM	[x]	[ ]
GOLF COURSE ACCESS	[ ]	[ ]
LIBRARY	[x]	[ ]
PUTTING GREEN	[ ]	[ ]
SHUFFLEBOARD	[ ]	[ ]
SPA	[ ]	[ ]
SWIMMING POOL-INDOOR	[ ]	[ ]
SWIMMING POOL-OUTDOOR	[ ]	[ ]
TENNIS COURT	[ ]	[ ]
WORKSHOP	[ ]	[ ]
OTHER : COMPUTER AREA		

SERVICE AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	4	
NUMBER OF MEALS/DAY	3	
SPECIAL DIETS AVAILABLE	YES	
24-HOUR EMERGENCY RESPONSE	[x]	[ ]
ACTIVITIES PROGRAM	[x]	[ ]
ALL UTILITIES EXCEPT PHONE	[x]	[ ]
CABLE TV	[ ]	[x]
LINENS FURNISHED	[x]	[ ]
LINENS LAUNDERED	[ ]	[x]
MEDICATION MANAGEMENT	[ ]	[x]
NURSING/WELLNESS CLINIC	[ ]	[x]
PERSONAL NURSING/HOME CARE	[ ]	[ ]
TRANSPORTATION-PERSONAL	[ ]	[ ]
TRANSPORTATION-PREARRANGED	[x]	[ ]
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: California P.E.O. Home - Marguerite Gardens

CCRCs	LOCATION (CITY, STATE)	PHONE (with area code)
NONE		

MULTI-LEVEL RETIREMENT COMMUNITIES

NONE		

FREE-STANDING SKILLED NURSING

NONE		

SUBSIDIZED SENIOR HOUSING

NONE		

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

ROVIDER NAME: CALIFORNIA PEO HOME
ACILITY: Marguerite Gardens

	FYE 12/31/11	FYE 12/31/12	FYE 12/31/13	FYE 12/31/14
	2011	2012	2013	2014
COME FROM ONGOING OPERATIONS:				
OPERATING INCOME				
CL AMORTIZATION OF ENTRANCE FEE INCOME)	3,992,472	3,546,188	3,091,072	3,302,479
ESS OPERATING EXPENSES CL DEPRECIATION, AMORTIZATION, & INTEREST)	4,855,334	4,567,345	5,434,928	5,195,743
NET INCOME FROM OPERATIONS	(862,862)	(1,021,157)	(2,343,856)	(1,893,264)
SS INTEREST EXPENSE	(426,649)	(381,326)	(292,028)	(284,509)
PLUS CONTRIBUTIONS	867,259	385,460	108,785	36,211
US NON-OPERATING INCOME (EXPENSES) (EXCLUDING EXTRAORDINARY ITEMS)	(133,356)	(1,253,612)	1,371,942	213,885
T INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(555,608)	(2,270,635)	(1,155,157)	(1,927,677)
NET CASH FLOW FROM ENTRANCE FEES (TOTAL DEPOSITS LESS REFUNDS)	-	(125)	-	-

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
American Business Bank (Line of Credit is secured by the unrestricted investment account)	$ -	4.50%	8/26/2008	3/31/2014	Loan repaid 12/9/14

FINANCIAL RATIOS:	2011	2012	2013	2014
EBT TO ASSET RATIO	31%	25%	23%	0%
OPERATING RATIO	152%	144%	185%	178%
EBT SERVICE COVERAGE RATIO	(1.68)	(0.39)	(2.48)	(0.86)
AYS CASH-ON-HAND RATIO	640	784	670	411

STORICAL MONTHLY SERVICE FEES

AVERAGE FEE AND PERCENT CHANGE	12/31/2011		FYE 12/31/12		FYE 12/31/13		FYE 12/31/14
	2011	%	2012		2013		2014
STUDIO	2,533	4.95%	2,665	7.91%	2,894	-0.52%	2,879
NE BEDROOM	3,631	3.97%	3,781	-3.08%	3,668	0.41%	3,683
TWO BEDROOM	3,320	16.37%	3,970	0.75%	4,000	0.00%	4,000
OTTAGE/HOUSE	N/A		N/A		N/A		N/A
ASSISTED LIVING	4,138	5.85%	4,395	1.90%	4,480	1.97%	4,570
KILLED NURSING	5,671	5.94%	6,029	5.52%	6,381	3.07%	6,583
PECIAL CARE	N/A		N/A		N/A		N/A

OMMENTS FROM PROVIDER:

STORICAL MONTHLY FEE IS THE AVERAGE FEE CHARGED TO EXISTING RESIDENTS.

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)	$1,190-$4,175	$4,570	$6,996-$11,467
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	2.0%	2.0%	2.0%

☐ Check hear if monthly service fees at this community were not increased during the reporting period. (If you checked the 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: **January 1, 2014**
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

☒ All affected residents were given written notice of this increase at least 30 days prior to it's 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 reason 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 **CALIFORNIA PEO HOME**
COMMUNITY NAME: **Marguerite Gardens**

KEY INDICATORS REPORT

Date Prepared: 4/30/2015

California P.E.O. Home

RECEIVED MAY 0 2015 CONTINUING CARE CONTRACTS BRANCH

Chief Executive Officer Signature

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

						Projected	Forecast				
	2011	2012	2012	2013	2014	2015	2016	2017	2018	2019	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	55.00%	46.36%	36.16%	28.65%	27.45%	10.00%	0.00%	0.00%	0.00%	0.00%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	-33.72%	-46.05%	-39.19%	-64.58%	-80.01%	-60.04%	0.00%	0.00%	0.00%	0.00%	↑
3. Net Operating Margin - Adjusted (%)	-103.28%	-72.60%	-47.27%	-75.10%	-85.23%	-53.85%	0.00%	0.00%	0.00%	0.00%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	$9,112	$10,648	$11,021	$10,509	$3,560	$2,000	$0	$0	$0	$0	↑
5. Days Cash on Hand (Unrestricted)	473	640	784	670	411	350	0	0	0	0	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000)	$1,177	$724	$505	$134	$108	$261	$0	$0	$0	$0	N/A
7. Net Annual E/F proceeds ($000)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	N/A
8. Unrestricted Net Assets ($000)	$20,414	$10,468	$10,343	$10,424	$10,424	$10,424	$0	$0	$0	$0	N/A
9. Annual Capital Asset Expenditure ($000)	$1,695	$931	$2,013	$40	$38	$0	$0	$0	$0	$0	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	0.00	0.00	-0.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	↑
11. Annual Debt Service Coverage (x)	0	-1.17	-0.29	-2.19	0	0	0	0	0	0	↑
12. Annual Debt Service/Revenue (%)	0.00%	0.00%	116.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	↓
13. Average Annual Effective Interest Rate (%)	0.00%	0.00%	3.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	0	0	212.72	0.00%	0.00%	0	0	0	0	0	↑
15. Average Age of Facility (years)	12.28	13.85	31.32	40.84	51.25	62	0	0	0	0	↓

California
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2015 CCRC Financial Report

The key indicator report being submitted this year reflects major changes for the organization. In the summer of 2012 the Board of Directors made the decision to table the repositioning plan for the Redstone project. Further, the board confirmed the decision to continue to operate the existing facility for the immediate future and fulfill all the contract obligations for the existing residents. During the course of this year the Board did evaluate the quality of life for residents based upon the continued declining census and the financial position of the organization. Based on findings, work began on developing a plan for closure of Marguerite Gardens. Closure was announced March 18th, 2015. The key indicator report reflects the financial impact of a decreasing census and financial position for 2014.

The organization's financial reserves, liquidity from days cash on hand, lack of debt through paying off this year the line of credit we have had since 2006, and owning our land (free and clear) will allow flexibility in response to current and future financial/capital needs. If there are further questions, please contact us.