



Senior Living Community  
for the  
Eastern Star in California

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JAN 02 2015

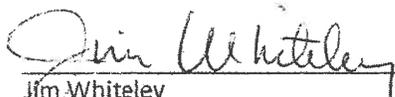
CONTINUING CARE  
CONTRACTS BRANCH

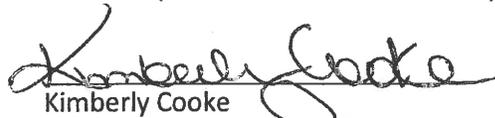
January 30, 2015

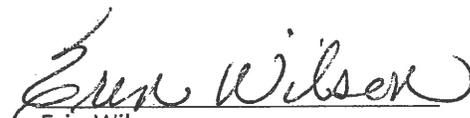
Department of Social Services – Continuing Care Contracts Branch  
744 P Street  
MS 10-90  
Sacramento, CA 95814

Certification Statement

- I certify that, the annual report and any amendments thereto are correct to the best of my knowledge.
- I certify that each continuing care contract form in use or offered to new residents has been approved by the Department of Social Services.
- Per California Health and Safety Code 1790 (a) (3), the California Eastern Star Homes of California is required to disclose any funds accumulated for identified projects for purposes and any funds obtained or designated for specific contingencies. The Homes does not have any such funds identified for any project or purposes or than the operations of the Home. The Endowment Fund of the Grand Chapter of California, Order of the Eastern Star is designated for the accumulation of funds to support the Home operations. The fact is disclosed in the notes of the financial statements of both the Home and Grand Chapter footnotes 5 and 11, respectively.

  
Jim Whiteley  
President; Board of Trustees,  
Eastern Star Homes of California, Inc.

  
Kimberly Cooke  
Executive Director  
Senior Living Community for the Eastern Star

  
Erin Wilson  
Administrator  
Senior Living Community for the Eastern Star

**DIRECTORS AND OFFICERS LIABILITY POLICY  
DECLARATIONS**

RECEIVED  
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JAN 02 2015  
Corporate Office  
945 E. Paces Ferry Rd.  
Atlanta, GA 30326  
RSUI  
CONTINUING CASE  
CONTRACTS BRANCH

COMPANY SYMBOL N	POLICY PREFIX & NUMBER HP659022	RENEWAL OF NHP653516
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•THIS IS A CLAIMS MADE POLICY. PLEASE READ IT CAREFULLY.•

THIS POLICY IS ISSUED BY: RSUI Indemnity Company (hereinafter referred to as the Insurer)

**ITEM 1.** INSURED'S NAME AND MAILING ADDRESS

PRODUCER'S NAME AND ADDRESS

EASTERN STAR HOMES OF CALIFORNIA, INC.  
16850 EAST BASTANCHURY ROAD  
YORBA LINDA, CA 92886

IN CONSIDERATION OF THE PAYMENT OF THE PREMIUM, IN RELIANCE UPON THE STATEMENTS HEREIN OR ATTACHED HERETO, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, THE INSURER AGREES TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

**ITEM 2. POLICY PERIOD:**

FROM 9/1/2014 TO 9/1/2015 12:01 AM Standard Time at the Insured's address as stated herein

**ITEM 3. LIMIT OF LIABILITY:**

\$ 3,000,000 Aggregate Limit of Liability each policy period

**ITEM 4. RETENTION:**

\$ 0 Insuring Agreement A  
\$ 25,000 Insuring Agreement B  
\$ 25,000 Insuring Agreement C  
\$ 25,000 Employment Practices Claim

**ITEM 5. PREMIUM:**

\$ 16,650.00

**ITEM 6. POLICY FORM AND ENDORSEMENTS MADE A PART OF THIS POLICY AT THE TIME OF ISSUE:**

SEE RSG 200007 0204 - SUPPLEMENTAL DECLARATIONS - SCHEDULE OF ENDORSEMENTS; RSG 211003 0609 - DIRECTORS AND OFFICERS LIABILITY POLICY - NOT FOR PROFIT ORGANIZATION - 2009

THESE DECLARATIONS TOGETHER WITH THE COMPLETED, SIGNED AND DATED APPLICATION, POLICY FORMS AND ENDORSEMENTS, IF ANY, ISSUED TO FORM A PART THEREOF, COMPLETE THE ABOVE NUMBERED POLICY.

Countersigned: \_\_\_\_\_

September 15, 2014

DATE



AUTHORIZED REPRESENTATIVE

**DIRECTORS AND OFFICERS LIABILITY POLICY  
SUPPLEMENTAL DECLARATIONS**



POLICY NUMBER:     NHP659022    

**SCHEDULE OF ENDORSEMENTS**

TITLE	FORM NUMBER
Disclosure Pursuant to Terrorism Risk Insurance Act	RSG 204123 0108
Additional Defense Expense Limit	RSG 204162 0911
California Changes - Cancellation and Nonrenewal	RSG 203005 0611
Cap on Losses From Certified Acts of Terrorism	RSG 204081 0108
Coverage Extension - Healthcare Organization	RSG 204095 0210
Coverage Extension - HIPAA	RSG 204137 0609
Exclusion - Amended Bodily Injury and Property Damage	RSG 216014 0609
Exclusion - Bankruptcy - Insolvency	RSG 206049 0204
Exclusion - Malpractice	RSG 206066 0210
Exclusion - Prior and or Pending Litigation Backdated	RSG 206071 0204
Exclusion - Sexual Abuse with EPL Carve back	RSG 206086 1205
Exclusion - Specific Entities and Individuals	RSG 206077 1205
Exclusion - Specific Litigation	RSG 206078 0204
Sublimit - Defense Expenses - Wage and Hour Claims	RSG 204153 0609
Third Party Liability Coverage	RSG 204119 1011

COMMON POLICY DECLARATIONS

NAMED INSURED: EASTERN STAR HOMES OF CALIFORNIA INCORPORATED DBA SENIOR LIVING COMMUNITY FOR THE EASTERN STAR 16850 BASTANCHURY ROAD YORBA LINDA CA 92886

POLICY NO. 1266-293 RENEWAL

PRODUCER NAME AND ADDRESS: PAUL MUENCH COMPANY 2107 N BROADWAY STE 205 SANTA ANA CA 92706

04-791 (04 ) (714)689-0055 ADMIN 00-000  
WWW.PaulMuench.GuideOne.com

POLICY PERIOD: FROM 10/01/2014 TO 10/01/2015  
AT 12:01 A.M. STANDARD TIME AT YOUR MAILING ADDRESS SHOWN ABOVE.

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

THIS POLICY CONSISTS OF THE FOLLOWING COVERAGE PARTS FOR WHICH A PREMIUM IS INDICATED. THIS PREMIUM MAY BE SUBJECT TO ADJUSTMENT.

COMMERCIAL PROPERTY COVERAGE PART \$ 28,374.00  
FORMS APPLICABLE:  
SEE COMMON POLICY DECLARATIONS SUPPLEMENT

COMMERCIAL GENERAL LIABILITY COVERAGE PART \$ 17,064.00  
FORMS APPLICABLE:  
SEE COMMON POLICY DECLARATIONS SUPPLEMENT

COMMERCIAL CRIME COVERAGE PART \$ 359.00  
FORMS APPLICABLE: CR0001/1090 CR0003/0186  
PCR4610/0396

COMMERCIAL INLAND MARINE COVERAGE PART \$ 2,917.00  
FORMS APPLICABLE: CL0600/0108 CL162/2.0  
IM100/0684 IM664-2/0684 IM664/0684  
PCM4411/0396 PCM7405/0885 PCM7410/0790

MECHANICAL, ELECTRICAL AND PRESSURE EQUIPMENT COVERAGE PART \$ .00  
COVERAGE INCLUDED IN PROPERTY - SEE FORM PCP7357

FORMS APPLICABLE TO MORE THAN ONE COVERAGE PART:  
SEE COMMON POLICY DECLARATIONS SUPPLEMENT

TOTAL PREMIUM OF \$48,714.00.

COUNTERSIGNED 09/17/2014 BY \_\_\_\_\_  
(DATE) (AUTHORIZED REPRESENTATIVE)

GuideOne Insurance  
1111 ASHWORTH ROAD  
WEST DES MOINES, IOWA 50265-3538  
(515)267-5000

GuideOne Mutual  
Insurance Company

09/17/2014

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COMMON POLICY DECLARATIONS  
SUPPLEMENT

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POLICY EFFECTIVE 10/01/2014

POLICY NO. 1266-293

NAMED INSURED EASTERN STAR HOMES OF CALIFORNIA

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COVERAGE PART FORM SCHEDULE

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COMMERCIAL PROPERTY COVERAGE PART

FORMS APPLICABLE: CP0030/0607 CP0299/0607  
GCP0407/0409 GCP0445/0409 GCP2702/0409  
PCP4310/0396 PCP4314/0409 PCP5311/0409  
PCP7357/0409 PMAN323X

COMMERCIAL GENERAL LIABILITY COVERAGE PART

FORMS APPLICABLE: CG0068/0509 CG2167/1204  
CG2170/0108 CG2176/0108 CG3234/0105  
GCG0405/0409 GCG2820/0409 GCG7310/0409  
GCG7410/0409 GCG7510/0409 PCG5510/0409  
PMAN502

FORMS APPLICABLE TO MORE THAN ONE COVERAGE PART:

GIL4205/0409 GIL4220/0409 GN70025/0108  
IL0003/0908 IL0021/0908 IL0102/0505  
IL0270/0908 IL0415/0498 IL0952/0308  
PIL7209/0190

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COMMERCIAL GENERAL LIABILITY  
COVERAGE PART DECLARATIONS PAGE

POLICY EFFECTIVE 10/01/2014

POLICY NO. 1266-293

NAMED INSURED EASTERN STAR HOMES OF CALIFORNIA

-----  
CLASSIFICATIONS  
-----

CLASSIFICATION	CODE NO.	PREMIUM BASIS	EXPOSURE
DWELLINGS-ONE FAMILY (LESSORS RISK ONLY)	63010	U	1
SEXUAL MISCONDUCT LIABILITY	49990	C	
EMPLOYEE BENEFITS	49993	C	44

PREMIUM BASIS: A-AREA C-TOTAL COST M-ADMISSIONS  
P-PAYROLL S-GROSS SALES U-UNITS OR EACH

-----  
ENDORSEMENT SCHEDULES  
-----

FORM GCG0405/0409  
CRISIS MANAGEMENT COVERAGE

SCHEDULE

\$ 300,000 CRISIS EVENT AGGREGATE LIMIT  
\$ 2,500 INDIVIDUAL COUNSELING EXPENSES EACH PERSON LIMIT  
\$ 50,000 MEDICAL EXPENSES EACH PERSON LIMIT  
\$ 200,000 INDIVIDUAL EXPENSES AGGREGATE LIMIT  
\$ 100,000 ORGANIZATIONAL EXPENSES AGGREGATE LIMIT

FORM GCG2820/0409  
LOST WAGES COVERAGE

SCHEDULE

\$ 5,000 LOST WAGES LIMIT

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COMMERCIAL GENERAL LIABILITY  
COVERAGE PART DECLARATIONS PAGE

POLICY EFFECTIVE 10/01/2014

POLICY NO. 1266-293

NAMED INSURED EASTERN STAR HOMES OF CALIFORNIA

-----  
ENDORSEMENT SCHEDULES  
-----

FORM GCG7310/0409  
EMPLOYEE BENEFITS LIABILITY ENDORSEMENT

SCHEDULE

\$ 1,000,000 EACH EMPLOYEE LIMIT

\$ 3,000,000 AGGREGATE LIMIT

\$ 1,000 DEDUCTIBLE

FORM GCG7410/0409  
SEXUAL MISCONDUCT LIABILITY COVERAGE

SCHEDULE

\$ 1,000,000 EACH CLAIM LIMIT

\$ 3,000,000 AGGREGATE LIMIT

\$ 10,000 MEDICAL EXPENSE LIMIT

FORM GCG7510/0409  
PROFESSIONAL LIABILITY COVERAGE

SCHEDULE

\$ 1,000,000 EACH CLAIM LIMIT

\$ 3,000,000 AGGREGATE LIMIT

FORM PMAN502  
AMENDED DEFINITION OF DAMAGES

THIS DOCUMENT IS AN ENDORSEMENT THAT CHANGES THE POLICY.  
PLEASE READ IT CAREFULLY.

THIS ENDORSEMENT MODIFIES INSURANCE PROVIDED UNDER THE  
FOLLOWING:

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COMMERCIAL GENERAL LIABILITY  
COVERAGE PART DECLARATIONS PAGE

POLICY EFFECTIVE 10/01/2014

POLICY NO. 1266-293

NAMED INSURED EASTERN STAR HOMES OF CALIFORNIA

-----  
ENDORSEMENT SCHEDULES  
-----

FORM PMAN502  
AMENDED DEFINITION OF DAMAGES

COMMERCIAL GENERAL LIABILITY COVERAGE FORM  
PROFESSIONAL LIABILITY COVERAGE  
EMPLOYEE BENEFITS LIABILITY COVERAGE  
COUNSELORS LIABILITY COVERAGE

THE DEFINITION OF "DAMAGES" IS REPLACED BY THE FOLLOWING:  
"DAMAGES" MEAN ONLY THOSE TORT DAMAGES ALLOWED BY LAW.

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 CRIME AND FIDELITY  
 OR DS 01 08 13  
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## CRIME AND FIDELITY COVERAGE PART DECLARATIONS (COMMERCIAL ENTITIES)

The Crime And Fidelity Coverage Part (Commercial Entities) consists of this Declarations Form and the Commercial Crime Coverage Form.

**Coverage Is Written:**

- Primary     
  Excess     
  Coindemnity     
  Concurrent

**Employee Benefit Plan(s) Included As Insureds:**

ANY EMPLOYEE BENEFIT PLAN ESTABLISHED SOLELY FOR PERSONNEL OF ENTITIES INSURED UNDER THIS POLICY

	Limit Of Insurance Per Occurrence	Deductible Amount Per Occurrence
1. <b>Employee Theft</b>	\$10,000	\$500
2. <b>Forgery Or Alteration</b>	\$10,000	\$500
3. <b>Inside The Premises - Theft Of Money And Securities</b>	\$5,000	\$1,000
4. <b>Inside The Premises - Robbery Or Safe Burglary Of Other Property</b>	Not Covered	
5. <b>Outside The Premises</b>	\$5,000	\$1,000
6. <b>Computer And Funds Transfer Fraud</b>	Not Covered	
7. <b>Money Orders And Counterfeit Money</b>	Not Covered	

If "Not Covered" is inserted above opposite any specified Insuring Agreement, such Insuring Agreement and any other reference thereto in this Policy are deleted.

**If Added By Endorsement:**

	Limit Of Insurance Per Occurrence	Deductible Amount Per Occurrence
Insuring Agreement(s)		

**Endorsements Forming Part Of This Coverage Part When Issued:**

See Schedule of Forms and Endorsements

COMMERCIAL CRIME COVERAGE PART  
DECLARATIONS PAGE

POLICY EFFECTIVE 10/01/2014

POLICY NO. 1266-293

NAMED INSURED EASTERN STAR HOMES OF 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	\$50,000	-0-

BOND - FORGERY AND ALTERATIONS COVERAGE FORM B CR0003

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

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CONTINUING CARE  
CONTRACTS BRANCH

**EASTERN STAR HOMES OF CALIFORNIA**

**Report of Independent Auditors  
and  
Financial Statements**

**For the Years Ended  
September 30, 2014 and 2013**

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**REPORT OF INDEPENDENT AUDITORS**

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CONTRACTS BRANCH

To the Board of Trustees  
Eastern Star Homes of California

We have audited the accompanying 2014 financial statements of Eastern Star Homes of California, which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of Eastern Star Homes of California as of September 30, 2013 and for the year then ended, were audited by other auditors whose report dated January 30, 2014, expressed an unqualified opinion on these 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 the 2014 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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





*Opinion*

In our opinion, the 2014 financial statements referred to above present fairly, in all material respects, the financial position of Eastern Star Homes of California as of September 30, 2014, and the changes in its net deficit and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Richardson Kontogouris Emerson LLP*

January 27, 2015



**EASTERN STAR HOMES OF CALIFORNIA****STATEMENTS OF FINANCIAL POSITION****SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 604,834	\$ 168,635
Receivables	24,848	11,280
Due from affiliated organizations:		
Grand Chapter of California, Order of the Eastern Star	-	19,235
California Eastern Star Foundation	21,574	-
Prepaid expenses and other	170,475	98,847
Property and equipment, net	<u>7,380,083</u>	<u>7,680,203</u>
 Total assets	 <u>\$ 8,201,814</u>	 <u>\$ 7,978,200</u>
<b>LIABILITIES AND NET DEFICIT</b>		
Accounts payable and accrued expenses	\$ 290,822	\$ 276,327
Due to affiliated organization:		
Grand Chapter of California, Order of the Eastern Star	16,629	-
Obligation to provide future services	<u>15,207,971</u>	<u>15,408,128</u>
 Total liabilities	 15,515,422	 15,684,455
 Net deficit:		
Unrestricted	<u>(7,313,608)</u>	<u>(7,706,255)</u>
 Total liabilities and net deficit	 <u>\$ 8,201,814</u>	 <u>\$ 7,978,200</u>

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

**EASTERN STAR HOMES OF CALIFORNIA**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	Unrestricted	
	2014	2013
Support, revenue and gains:		
Contributions:		
Per capita - members of Grand Chapter of California, Order of the Eastern Star	\$ 35,628	\$ 38,232
Residents' contributions after admission	1,028,030	944,920
Donations	55,579	80,680
Net transfers from Endowment Fund of the Grand Chapter of California, Order of the Eastern Star	3,115,000	2,350,000
Rental income	314,713	305,999
Other miscellaneous revenue	5,796	4,624
<b>Total support, revenue and gains</b>	<b>4,554,746</b>	<b>3,724,455</b>
Expenses:		
Program services:		
Elderly care	3,535,756	3,425,322
Support services:		
Management and general	644,932	652,329
Rental property	134,098	164,708
Fundraising	47,470	-
<b>Total expenses</b>	<b>4,362,256</b>	<b>4,242,359</b>
Change in net deficit before obligation to provide future services	192,490	(517,904)
Decrease (increase) in obligation to provide future services	200,157	(281,470)
Change in net deficit	392,647	(799,374)
Net deficit, beginning of year	(7,706,255)	(6,906,881)
Net deficit, end of year	<u>\$ (7,313,608)</u>	<u>\$ (7,706,255)</u>

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

**EASTERN STAR HOMES OF CALIFORNIA**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Program Services		Support Services		Fundraising	Total Support Services	Total
	Elderly Care	Management and General	Rental Property				
Compensation and related expenses:							
Salaries and wages	\$ 1,034,623	\$ 194,612	\$ 18,934	\$ 32,500	\$ 246,046	\$ 1,280,669	
Employee benefits	155,108	29,336	1,244	4,712	35,292	190,400	
Payroll taxes	86,078	16,250	1,902	2,645	20,797	106,875	
Other employee expenses	24,869	4,708	-	751	5,459	30,328	
Professional and consultant fees	-	38,299	-	-	38,299	38,299	
Administration fee	32,387	183,528	16,883	-	200,411	232,798	
Insurance:							
Property and liability	109,864	-	4,500	-	4,500	114,364	
Workers' compensation	143,763	27,066	1,689	4,492	33,247	177,010	
Occupancy:							
Electricity	166,882	14,512	2,218	-	16,730	183,612	
Gas	50,981	5,665	-	-	5,665	56,646	
Water and sewer	33,203	3,689	9,171	-	12,860	46,063	
Depreciation	325,867	-	36,296	-	36,296	362,163	
Minor equipment and other supplies	101,048	16,450	5,736	2,370	24,556	125,604	
Equipment rental and maintenance	12,891	10,547	-	-	10,547	23,438	
Telephone	10,367	2,592	-	-	2,592	12,959	
Licenses and taxes	22,476	5,619	20,118	-	25,737	48,213	
Member assistance - Outreach	47,107	-	-	-	-	47,107	
Resident activities	50,236	-	-	-	-	50,236	
Resident allowances	75,331	-	-	-	-	75,331	
Resident admission expenses	19,178	-	-	-	-	19,178	
Holiday gifts - residents	7,055	-	-	-	-	7,055	
Contract labor and food services	728,887	25,838	13,327	-	39,165	768,052	
Board member expenses	1,872	7,486	-	-	7,486	9,358	
Hospitalization/medical supplies	236,636	-	-	-	-	236,636	
Dues and subscriptions	5,745	5,745	-	-	5,745	11,490	
Office expense	45,380	15,126	2,080	-	17,206	62,586	
Publications	7,922	7,922	-	-	7,922	15,844	
Events	-	29,942	-	-	29,942	29,942	
<b>Total expenses</b>	<b>\$ 3,535,756</b>	<b>\$ 644,932</b>	<b>\$ 134,098</b>	<b>\$ 47,470</b>	<b>\$ 826,500</b>	<b>\$ 4,362,256</b>	

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

**EASTERN STAR HOMES OF CALIFORNIA**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Program Services		Support Services		Total Support Services	Total
	Elderly Care	Management and General	Rental Property			
Compensation and related expenses:	\$	\$	\$	\$	\$	\$
Salaries and wages	939,067	211,290	23,477	234,767	234,767	1,173,834
Employee benefits	174,719	39,312	4,368	43,680	43,680	218,399
Payroll taxes	82,622	18,590	2,066	20,656	20,656	103,278
Other employee expenses	33,202	7,471	830	8,301	8,301	41,503
Professional and consultant fees	-	30,005	2,258	32,263	32,263	32,263
Administration fee	32,757	167,916	17,709	185,625	185,625	218,382
Insurance:						
Property and liability	96,639	-	24,160	24,160	24,160	120,799
Workers' compensation	97,699	21,982	2,442	24,424	24,424	122,123
Occupancy:						
Electricity	123,695	11,000	2,671	13,671	13,671	137,366
Gas	43,082	4,787	-	4,787	4,787	47,869
Water and sewer	32,147	4,018	4,018	8,036	8,036	40,183
Depreciation	344,143	-	38,238	38,238	38,238	382,381
Minor equipment and other supplies	77,502	15,589	4,074	19,663	19,663	97,165
Equipment rental and maintenance	8,701	7,119	-	7,119	7,119	15,820
Telephone	11,634	2,908	-	2,908	2,908	14,542
Licenses and taxes	21,402	4,280	17,122	21,402	21,402	42,804
Member assistance - Outreach	240,687	-	-	-	-	240,687
Resident activities	74,190	-	-	-	-	74,190
Resident allowances	78,441	-	-	-	-	78,441
Resident admission expenses	15,359	-	-	-	-	15,359
Holiday gifts - residents	3,417	-	-	-	-	3,417
Contract labor and food services	665,199	24,216	13,627	37,843	37,843	703,042
Board member expenses	3,127	12,506	-	12,506	12,506	15,633
Hospitalization/medical supplies	159,918	-	-	-	-	159,918
Dues and subscriptions	5,745	5,745	-	5,745	5,745	11,490
Office expense	45,854	6,034	7,648	13,682	13,682	59,536
Publications	14,374	14,374	-	14,374	14,374	28,748
Events	-	43,187	-	43,187	43,187	43,187
<b>Total expenses</b>	<b>\$ 3,425,322</b>	<b>\$ 652,329</b>	<b>\$ 164,708</b>	<b>\$ 817,037</b>	<b>\$ 817,037</b>	<b>\$ 4,242,359</b>

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

**EASTERN STAR HOMES OF CALIFORNIA****STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions received	\$ 1,084,095	\$ 1,025,600
Transfers received from Grand Chapter of California, Order of the Eastern Star Endowment Fund	3,115,000	2,350,000
Rental income	350,577	308,831
Miscellaneous income received	5,795	6,365
Administrative and operating expenses paid	<u>(4,057,225)</u>	<u>(3,825,335)</u>
Net cash provided by (used in) operating activities	498,242	(134,539)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(62,043)</u>	<u>(71,851)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>436,199</u>	<u>(206,390)</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>168,635</u>	<u>375,025</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 604,834</u>	<u>\$ 168,635</u>
Reconciliation of change in net deficit to net cash provided by (used in) operating activities:		
Change in net deficit	\$ 392,647	\$ (799,374)
Adjustments to reconcile change in net deficit to net cash provided by (used in) operating activities:		
Depreciation	362,163	382,381
Increase (decrease) in obligation to provide future services	(200,157)	281,470
Changes in operating assets and liabilities:		
Other receivables	(13,568)	13,063
Due from/to affiliated organizations:		
Grand Chapter of California, Order of the Eastern Star	35,864	(37,325)
California Eastern Star Foundation	(21,574)	-
Prepaid expenses and other	(71,628)	(19,509)
Accounts payable and accrued expenses	<u>14,495</u>	<u>44,755</u>
Net cash provided by (used in) operating activities	<u>\$ 498,242</u>	<u>\$ (134,539)</u>

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

# EASTERN STAR HOMES OF CALIFORNIA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - DESCRIPTION OF ORGANIZATION

Eastern Star Homes of California (the "Home") is a California not-for-profit corporation organized in 1930 for the purpose of operating a home, under the name of "Senior Living Community," for the care of aged members of the Order of the Eastern Star. Residents are affiliated members in good standing for at least five years, as described in the Constitution and Laws, who are at least sixty-five years of age. Upon admission to the Home, residents contribute their assets to the Endowment Fund (the "Endowment Fund") of the Grand Chapter of California, Order of the Eastern Star (the "Grand Chapter").

The Home also operates a medical office rental facility under the name "Eastern Star Professional Plaza."

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of accounting*

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

#### *Financial statement presentation*

The Home is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, which are described as follows:

*Unrestricted* - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

*Temporarily restricted* - Net assets whose use by the Home is subject to either explicit donor-imposed stipulations, or by operation of law that can be fulfilled by actions of the Home or that expire by the passage of time.

*Permanently restricted* - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Home and stipulate the use of income and/or appreciation as temporarily restricted based on donor-imposed stipulations or by operation of law.

At September 30, 2014 and 2013, the Home does not have any temporarily or permanently restricted net assets.

# EASTERN STAR HOMES OF CALIFORNIA

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Concentrations*

Financial instruments, which potentially subject the Home to concentrations of credit risk, consist primarily of cash deposits and money market funds at financial institutions. The Home maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, demand deposits and all highly liquid investments with an initial maturity at date of purchase of three months or less.

#### *Property and equipment*

Property and equipment is carried at cost, net of accumulated depreciation.

Cost of normal maintenance and repairs and minor replacements are charged to expense when incurred. Major replacements or betterments of properties are capitalized.

#### *Depreciation*

Depreciation of property and equipment is provided using the straight-line method over the assets' estimated useful lives of two to thirty years.

#### *Impairment of long-lived assets*

When facts and circumstances indicate that the carrying values of long-lived assets may be impaired, the Home performs an evaluation of recoverability by comparing the carrying values of the assets to projected future cash flows in addition to other quantitative and qualitative analyses. No impairment charges were recorded for the years ended September 30, 2014 and 2013.

#### *Revenue recognition*

##### *Contributions*

Contributions received, including unconditional promises to give, are recorded as revenue in the period received at their fair value. Contributions from residents after admission consist primarily of social security and retirement payments to the residents.

# EASTERN STAR HOMES OF CALIFORNIA

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Revenue recognition (Continued)*

##### *Contributions (Continued)*

For financial reporting purposes, the Home distinguishes between contributions of unrestricted assets, temporarily restricted assets and permanently restricted assets. Contributions for which donors have imposed restrictions limiting the use of the donated assets are reported as restricted support. When such donor-imposed restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained permanently, with only the income earned thereon available for current use, are classified as permanently restricted net assets. Contributions for which donors have not stipulated restrictions are reported as unrestricted support.

Unconditional promises to give, with payments due in future periods, are reported as restricted support. Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation, the Home reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

##### *Donated goods, facilities and services*

Donated noncash assets, such as use of facilities and goods, are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills (which include accounting and legal services), are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received. The Home receives a significant amount of donated services from unpaid volunteers who assist with the different functions of the Home. No donated services have been recognized in the statements of activities because the criteria for recognition were not satisfied.

##### *Functional allocation of expenses*

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

# EASTERN STAR HOMES OF CALIFORNIA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Income taxes*

The Home is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and Section 23701(d) of the Revenue Taxation Code of California and is a publicly supported organization as described in Section 509(a) of the IRC.

The Home has no unrecognized tax benefits at September 30, 2014 or 2013. The Home's federal income tax returns are subject to examination by the Internal Revenue Service for a period of three years from the filing of a federal return. California income tax returns are subject to examination by the Franchise Tax Board for a period of four years from the filing of a return.

If applicable, the Home recognizes interest and penalties associated with tax matters as part of income tax expense, and includes accrued interest and penalties with accrued expenses in the statements of financial position.

#### *Endowment Fund*

The Home is the income beneficiary of the Endowment Fund. Net investment income is transferred to the Home to the extent that funds are needed for operations. Additional funds as necessary for the maintenance and operation of the Home are transferred from the temporarily restricted portion of the Endowment Fund. Support from the Endowment Fund for the years ended September 30, 2014 and 2013 was \$3,115,000 and \$2,350,000, respectively. At September 30, 2014 and 2013, the Endowment Fund has temporarily restricted net assets of \$5,869,975 and \$7,704,112, respectively, and permanently restricted net assets of \$24,165,115 and \$24,134,934, respectively.

#### *Use of estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**EASTERN STAR HOMES OF CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 3 - PROPERTY AND EQUIPMENT**

At September 30, 2014 and 2013, property and equipment consists of the following:

	2014	2013
Land	\$ 2,738,904	\$ 2,738,904
Buildings	8,422,882	8,422,882
Building improvements	1,240,052	1,191,678
Furniture, fixtures and equipment	502,645	491,226
Automobiles	189,195	189,195
Computer equipment and software	39,601	37,351
	<hr/>	<hr/>
	13,133,279	13,071,236
Less accumulated depreciation	(5,753,196)	(5,391,033)
	<hr/>	<hr/>
	\$ 7,380,083	\$ 7,680,203

The Home's property also includes office facilities that are leased to the Grand Chapter and various other medical offices (Note 8).

**NOTE 4 - OBLIGATION TO PROVIDE FUTURE SERVICES**

Applicants for admission to the Home are required to make a contribution of their personal assets to the Endowment Fund. In exchange for this contribution, the Home agrees to care for the residents for the remainder of their lives. The Home has recorded a liability for its obligation to provide care for the residents for the remainder of their lives. The obligation is calculated by estimating the cost of providing care and the use of the facilities over the remaining lives of the residents less estimated cash revenue before any realized gains from the Endowment Fund or proceeds on future property sales. The excess of projected expenses over revenues has been estimated to increase at 2.02% and 2.20% annually as of September 30, 2014 and 2013, respectively, representing inflation. The resulting liability has been discounted by 5% to reflect net present value. This liability amounted to \$15,207,971 and \$15,408,128 at September 30, 2014 and 2013, respectively. The change in obligation from year to year is shown on the statements of activities.

The Home is licensed to operate a seventy-six bed continuing care home, and at September 30, 2014 and 2013, the Home had 48 and 50 residents, respectively. Any shortfall in future operating cash flow is obligated to be met by the Endowment Fund (Note 2).

# **EASTERN STAR HOMES OF CALIFORNIA**

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE 5 - CASH RESERVES**

The Grand Chapter's Constitution and Laws require that the operating cash balance of the Home is to be limited to \$250,000 plus appropriations. Excess amounts are to be transferred to the unrestricted Endowment Fund for the future use of the Home, to be maintained by the Grand Chapter. Any shortfall in future operating cash flow is obligated to be met by the Endowment Fund. At September 30, 2014 and 2013, the Home had operating cash balances of \$585,313 and \$150,536, respectively. As of November 2014, the Home had reduced its cash balance to less than \$250,000, in compliance with the Grand Chapter's Constitution and Laws.

### **NOTE 6 - RELATED PARTY TRANSACTIONS**

The Home incurred \$232,798 and \$218,382 in administrative expense charges during the years ended September 30, 2014 and 2013, respectively, for services provided by the Grand Chapter. The Home also leases office space to the Grand Chapter (Note 8). For the years ended September 30, 2014 and 2013, the Home earned \$39,881 and \$38,464, respectively, of rental income from the Grand Chapter. At September 30, 2014, \$16,629 is due to the Grand Chapter and at September 30, 2013, \$19,235 is due from the Grand Chapter.

For the year ended September 30, 2014, California Eastern Star Foundation reimbursed the Home \$45,401 under an employee-sharing agreement. There was no employee-sharing during the year ended September 30, 2013. At September 30, 2014, \$21,574 is due from the Foundation.

### **NOTE 7 - CONTINUING CARE RESERVE REQUIREMENT**

The State of California Health and Safety Code requires continuing care retirement communities to report on the adequacy of certain reserve requirements. The Home's required statutory reserve at September 30, 2014 and 2013 was \$821,937 and \$793,146, respectively. The Home had a surplus of qualifying assets over the required reserve amount of \$5,652,872 and \$7,079,601 at September 30, 2014 and 2013, respectively, which includes temporarily restricted net assets held in the Endowment Fund for the benefit of the Home.

# EASTERN STAR HOMES OF CALIFORNIA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8 - OPERATING LEASES - RENTAL INCOME

The Home leases office space under an operating lease to the Grand Chapter expiring in June 2024. In addition, the Home leases various medical offices under operating leases expiring through July 2018. At September 30, 2014, property and equipment held for leasing consists of the following:

Buildings	\$ 458,187
Building improvements	566,866
Furniture, fixtures and equipment	<u>13,232</u>
	1,038,285
Less accumulated depreciation	<u>(656,800)</u>
	<u>\$ 381,485</u>

The future minimum lease payments to be received under the non-cancelable leases are as follows:

Year ending September 30,	<u>Related party</u>	<u>Non-related parties</u>	<u>Total</u>
2015	\$ 49,190	\$ 197,588	\$ 246,778
2016	49,190	87,860	137,050
2017	49,190	73,147	122,337
2018	49,190	24,733	73,923
2019	49,190	-	49,190
Thereafter	<u>233,652</u>	<u>-</u>	<u>233,652</u>
	<u>\$ 479,602</u>	<u>\$ 383,328</u>	<u>\$ 862,930</u>

### NOTE 9 - SUBSEQUENT EVENTS

Subsequent events have been evaluated by the Home through January 27, 2015, which is the date the financial statements were available to be issued.

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CONTINUING CARE  
CONTRACTS BRANCH

## Report of Independent Auditors

To the Finance Committee  
Grand Chapter of California, Order of the Eastern Star and  
Endowment Fund of the Grand Chapter of California, Order of the Eastern Star  
To the Board of Trustees  
Eastern Star Homes of California

We have audited the accompanying continuing care reserve report (the "Report") of Grand Chapter of California, Order of the Eastern Star and Endowment Fund of the Grand Chapter of California, Order of the Eastern Star (collectively, the "Grand Chapter") and Eastern Star Homes of California (the "Home") as of September 30, 2014.

### *Management's Responsibility for the Report*

Management is responsible for the preparation and fair presentation of this Report in accordance with the report preparation provision of California Health and Safety Code Section 1792; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the 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 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 Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Report, 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 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 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 Report.

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 Report of the Grand Chapter and the Home present fairly, in all material respects, the liquid reserve requirements of the Grand Chapter and the Home as of September 30, 2014 in conformity with the report preparation provision of California Health and Safety Code Section 1792 referred to above.

*Basis of Accounting*

The Report was prepared by the Grand Chapter and the Home on the basis of the report preparation provision 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 comply with the provisions of California Health and Safety Code Section 1792 referred to above. Our opinion is not modified with respect to that matter.

*Report on Audited Financial Statements*

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Grand Chapter and the Home as of and for the year ended September 30, 2014, and our reports thereon dated January 27, 2015, expressed an unmodified opinion on the Home financial statements and a qualified opinion on the Grand Chapter financial statements since the Home financial statements are not consolidated into the Grand Chapter financial statements as required by accounting principles generally accepted in the United States of America.

*Restriction on Use*

This report is intended solely for the information of the Finance Committee, Board of Trustees and management of the Grand Chapter and the Home and the California Department of Social Services and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Richardson Kentogowis Emerson LLP*

January 27, 2015

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

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	50
[2]	Number at end of fiscal year	48
[3]	Total Lines 1 and 2	98
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	49
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	50
[7]	Number at end of fiscal year	48
[8]	Total Lines 6 and 7	98
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	49
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	1.00

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

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses	\$4,362,256
[a]	Depreciation	\$362,163
[b]	Debt Service (Interest Only)	\$0
[2]	Subtotal (add Line 1a and 1b)	\$362,163
[3]	Subtract Line 2 from Line 1 and enter result.	\$4,000,093
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	100%
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	\$4,000,093
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$4,000

**PROVIDER:** Grand Chapter of California, Order of the Eastern Star  
**COMMUNITY:** Senior Living Community for the Eastern Star

**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					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>					\$0

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

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

**PROVIDER:** Grand Chapter of California, Order of the Eastern Star

**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					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>		\$0	\$0	0	\$0

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

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

**PROVIDER:** Grand Chapter of California, Order of the Eastern Star

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

<b>Line</b>		<b>TOTAL</b>
1	Total from Form 5-1 bottom of Column (e)	\$0
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	<b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<b>\$0</b>

**PROVIDER:** Grand Chapter of California, Order of the Eastern Star

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$4,362,256
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$0
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$0
	c. Depreciation	\$362,163
	d. Amortization	\$0
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$0
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$362,163
4	Net Operating Expenses	\$4,000,093
5	Divide Line 4 by 365 and enter the result.	\$10,959
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$821,937

**PROVIDER:** Grand Chapter of California, Order of the Eastern Star  
**COMMUNITY:** Senior Living Community for the Eastern Star



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

**Additional Comments**

**Total Qualifying Assets as Filed:**

Cash and Cash Equivalents	\$ 604,834
Investment Securities	<u>5,869,975</u>
Total Qualifying Assets as Filed	6,474,809

Total cash in the Eastern Star Homes of California financial statements.

Investments are held in the Endowment fund of the Grand Chapter of California, Order of the Eastern Star, but exclude any permanently restricted amounts.

**Reservations and Designations:**

Liquid Reserve Obligation per Form 5-5, line 3	<u>818,735</u>
Remaining Liquid Reserves	<u>\$ 5,656,074</u>

All qualifying assets, less liquid reserve obligation are unreserved and undesignated, and are available to support the Eastern Star Homes of California.

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<b>Per Capita Cost of Operations</b>	
Operating Expenses (Form 5-4, line 1)	\$ 4,346,672
Mean # of CCRC Residents (Form 1-1, line 10)	<u>49</u>
Per Capita Cost of Operations	<u>\$ 88,708</u>

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

Date Prepared: 1/30/15  
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FACILITY NAME: Senior Living Community for the Eastern Star  
 ADDRESS: 16850 Bastanchury Road, Yorba Linda ZIP CODE: 92886 PHONE: 714-577-9881  
 PROVIDER NAME: Grand Chapter of CA, OES FACILITY OPERATOR: Erin Wilson, Administrator  
 RELATED FACILITIES: None RELIGIOUS AFFILIATION: All  
 YEAR OPENED: 1998 # OF ACRES: 5  SINGLE  MULTI-  
 STORY STORY  OTHER: \_\_\_\_\_ MILES TO SHOPPING CTR: .5  
 MILES TO HOSPITAL: 1

**NUMBER OF UNITS:**

<b>RESIDENTIAL LIVING</b>	<b>HEALTH CARE</b>
APARTMENTS — STUDIO: <u>18</u>	ASSISTED LIVING: <u>9</u>
APARTMENTS — 1 BDRM: <u>35</u>	SKILLED NURSING: <u>4 (offsite)</u>
APARTMENTS — 2 BDRM: <u>2</u>	SPECIAL CARE: <u>0</u>
COTTAGES/HOUSES: <u>0</u>	DESCRIPTION: > <u>N/A</u>
RLU OCCUPANCY (%) AT YEAR END: <u>76%</u>	> _____

TYPE OF OWNERSHIP:  NOT-FOR-PROFIT  FOR-PROFIT ACCREDITED?:  YES  NO BY: N/A

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

REFUND PROVISIONS: (Check all that apply)  90%  75%  50%  FULLY AMORTIZED  OTHER: \_\_\_\_\_

RANGE OF ENTRANCE FEES: \$ 0 - \$ 0 LONG-TERM CARE INSURANCE REQUIRED?  YES  NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Life Care

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

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Attend board meetings and finance.

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

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



PROVIDER NAME: \_\_\_\_\_

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (Excluding amortization of entrance fee income)	2,874,141	2,822,760	2,660,623	3,435,509
<b>LESS OPERATING EXPENSES</b> (Excluding depreciation, amortization, and interest)	4,005,651	3,941,955	3,859,978	4,000,093
<b>NET INCOME FROM OPERATIONS</b>	(1,131,510)	(1,119,195)	(1,199,355)	(564,584)
<b>LESS INTEREST EXPENSE</b>				
<b>PLUS CONTRIBUTIONS</b>	82,042	67,993	118,912	91,207
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)				
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	(1,049,468)	(1,051,202)	(1,080,443)	(473,377)
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	919,647	982,197	944,920	1,028,030

\*\*\*\*\*

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>

\*\*\*\*\*

**FINANCIAL RATIOS** (see next page for ratio formulas)

	<u>2013 CCAC Medians 50<sup>th</sup> Percentile (optional)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>DEBT TO ASSET RATIO</b>				
<b>OPERATING RATIO</b>		109.26%	145.08%	116.43%
<b>DEBT SERVICE COVERAGE RATIO</b>				
<b>DAYS CASH ON HAND RATIO</b>				

\*\*\*\*\*

**HISTORICAL MONTHLY SERVICE FEES** (Average Fee and Change Percentage)

	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>
STUDIO	3,288	1.95	3,352		3,352		3,352
ONE BEDROOM	3,866	3.00	3,982		3,982		3,982
TWO BEDROOM	6,148	2.99	6,332		6,332		6,332
COTTAGE/HOUSE							
ASSISTED LIVING	3,286	2.01	3,352		3,352		3,352
SKILLED NURSING							
SPECIAL CARE							

\*\*\*\*\*

**COMMENTS FROM PROVIDER:** > \_\_\_\_\_  
 > \_\_\_\_\_  
 > \_\_\_\_\_

**FINANCIAL RATIO FORMULAS**

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

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

**OPERATING RATIO**

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

**DEBT SERVICE COVERAGE RATIO**

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

**DAYS CASH ON HAND RATIO**

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

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