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CONTINUING CARE
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Continuing Care Contract Annual Report
Masonic Homes of California

October 31, 2014

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

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CONTRACTS BRANCH

February 20, 2015

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

Dear Ms. Kite:

I am the Grand Secretary of the Grand Lodge of California, the parent company for the Masonic Homes of California, 34400 Mission Boulevard, Union City, California. In connection with the Annual Report of the Masonic Homes of California as of and for the year ended October 31, 2014, I hereby certify to the following:

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

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

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

Sincerely,



Allan Casalou
Grand Secretary
Grand Lodge of California

**FORM 1-1
RESIDENT POPULATION**

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	242
[2]	Number at end of fiscal year	248
[3]	Total Lines 1 and 2	490
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	245
All Residents		
[6]	Number at beginning of fiscal year	257
[7]	Number at end of fiscal year	263
[8]	Total Lines 6 and 7	520
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of all residents	260
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of all residents (Line 10) and enter the result (round to two decimal places).	0.94

**FORM 1-2
ANNUAL PROVIDER FEE**

Line		TOTAL
[1]	Total Operating Expenses	\$36,473,788
	[a] Depreciation	\$4,102,139
	[b] Debt Service (Interest Only)	\$0
[2]	Subtotal (add Line 1a and 1b)	\$4,102,139
[3]	Subtract Line 2 from Line 1 and enter result.	\$32,371,649
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	94%
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	\$30,504,054 x .001
[6]	Total Amount Due (multiply Line 5 by .001)	\$30,504
PROVIDER:	Masonic Homes of California	
COMMUNITY:	Jaon City	

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	72
[2]	Number at end of fiscal year	73
[3]	Total Lines 1 and 2	145
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	72.5
All Residents		
[6]	Number at beginning of fiscal year	73
[7]	Number at end of fiscal year	76
[8]	Total Lines 6 and 7	149
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of all residents	74.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of all residents (Line 10) and enter the result (round to two decimal places).	0.97

FORM 1-2
ANNUAL PROVIDER FEE

Line		TOTAL
[1]	Total Operating Expenses	\$9,563,201
[a]	Depreciation	\$1,280,150
[b]	Debt Service (Interest Only)	\$0
[2]	Subtotal (add Line 1a and 1b)	\$1,280,150
[3]	Subtract Line 2 from Line 1 and enter result	\$7,283,051
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	97%
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	\$7,087,533
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$7,088

PROVIDER:
COMMUNITY:

Masonic Homes of California
Covina

Grand Lodge Free & Accepted Masons of California and Masonic Homes of California
April 1, 2014 to April 1, 2015 Insurance Summary

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Property Policy – Lexington Insurance Co.
Policy No. 021317952

Covers Grand Lodge/Masonic Homes/Acacia Creek/Hall Associations

Policy Limit	\$	200,000,000
Margin Clause - Halls Only		130%
Buildings & Personal Property	Incl in Policy Limit	
Electronic Data Processing Equipment*	\$	1,500,000
Business Income	\$	Included
Extra Expense*	\$	50,000,000
Acacia Creek Entrance Fees	\$	Included
Equipment Breakdown / Boiler & Machinery	\$	Included
Earthquake Sprinkler Leakage		Included
Accounts Receivable*	\$	1,000,000
Contingent Time Element*	\$	500,000
Valuable Papers*	\$	1,000,000
Endomosaic Window at Grand Lodge*	\$	1,500,000
Fine Arts including Paraphernalia (\$100,000	\$	4,000,000
Maximum Any One Item)*		
Newly Acquired Real & Personal Prop. (60 Days)*	\$	2,500,000
Building Ordinance*	\$	10,000,000
Terrorism*		Included
Transit*	\$	1,000,000
Sewer Back-up (GL/MH/AC/MCYF)*	\$	2,500,000
Sewer Back-up (Halls)*	\$	100,000
Deeded Property (270 Days)*	\$	2,500,000
Foundations, Footings and Pavements at GL-SF,		
MH Union City and Covina, AC and MCY&F*	\$	10,000,000
All other locations*	\$	2,500,000
Buildings and Additions Under Construction*	\$	1,000,000
Earthquake and Flood*	\$	20,000,000
(GL-SF, MH, AC, MHCY&F only)		
Deductibles		
Grand Lodge/Masonic Homes/Acacia Creek	\$	50,000
Hall Associations (All Covs. ex. Sewer Backup)	\$	1,000
Business Income/Rental Value		24 Hours
Valuable Papers and Fine Arts (including		
Paraphernalia)	\$	1,000
Except windows at GL-SF and Acacia Creek.	\$	5,000
Sewer Back-up (Halls)	\$	2,500
Total Insured Values	\$	744,384,157
Premium:	\$	1,537,530 Plus taxes
Engineering Fee:	\$	17,500

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

DIC (Earth Movement/Flood) – Acacia Creek Only
Arch (Non-Admitted) Policy No. ESP004926902 - \$5M p/o \$10M
Colony (Non-Admitted) Policy No. DC262107 - \$5M p/o \$10M
Alterra E&S (Non-Admitted) Policy No. MKLS14XP002234 - \$5M p/o \$10M xs \$10M
Landmark (Non-Admitted) Policy No. LHQ420031 - \$5M p/o \$10M xs \$10M

Covers Acacia Creek Only

Policy Limit	\$	20,000,000
Deductible		5%/\$100,000
Total Declared Values	\$	99,964,180
Premium:	\$	247,414 plus taxes
Modeling Fee	\$	250

Workers' Compensation – United State Fire Ins. Co.
Masonic Homes/Acacia Creek - Policy No. 406-6811228 (Deductible Program)

Workers Compensation		Statutory
Employers Liability	\$	1,000,000
Deductible (MH/AC Only)	\$	250,000
Policy Agg./Maximum Deductible (MH/AC Only)	\$	1,800,000
Estimated Annual Payroll (MH/AC Only)	\$	16,918,593
Estimated Annual Premium (Fixed Costs):	\$	330,065 incl surcharges

Workers' Compensation – Liberty Mutual Fire Ins. Co.
Grand Lodge – Policy No. WC2-Z91-445049-044 (Guaranteed Cost)

Workers Compensation		Statutory
Employers Liability	\$	1,000,000
Deductible	\$	0
Estimated Annual Payroll (Grand Lodge Only)	\$	7,271,948
Estimated Annual Premium:	\$	70,714 incl surcharges

General Liability (Grand Lodge & Halls) – Liberty Mutual Fire Ins. Co.
Policy No. TB2-Z91-445049-034
Covers Grand Lodge & Halls Only

General Liability		
General Aggregate	\$	2,000,000
Per Location Aggregate Subject to Cap	\$	15,000,000
Products/Completed Operations Aggregate	\$	2,000,000
Each Occurrence	\$	1,000,000
Personal & Advertising Injury	\$	1,000,000
Damage To Premises Rented To You	\$	1,000,000
Medical Expense	\$	10,000
Premium:	\$	369,505
Employee Benefits (Claims Made)		
Each Employee	\$	1,000,000
Annual Aggregate	\$	2,000,000
Deductible	\$	0
Retroactive Date		7/1/2000
Premium:		Included Above

Business Automobile – Employers Ins. Co. of Wausau
Policy No. ASC-Z91-445049-024

Covers Grand Lodge/Masonic Homes/Acacia Creek/Hall Associations
Halls covered for Non-Owned/Hired Only

Combined Auto Liability Single Limit	\$	1,000,000
Auto Medical Payment Each Person	\$	5,000
Uninsured Motorists	\$	1,000,000
Physical Damage		Actual Cash Value
Deductibles		
Comprehensive (\$2,500 for buses over 21 Pass.)	\$	1,000
Collision (\$2,500 for buses over 21 Pass.)	\$	1,000
Comp./Collision for Non-Owned/Hired	\$	1,000
Number of Vehicles	\$	23
Provisional Premium:	\$	70,454

Umbrella Liability – National Union Fire Ins. Co.
Policy No. BE061234705

Covers Grand Lodge and Hall Associations for GL
Covers Grand Lodge/Masonic Homes/Acacia Creek/Hall Associations for Auto
Covers Grand Lodge/Masonic Homes/Acacia Creek for WC

Each Occurrence	\$	25,000,000
General Aggregate	\$	25,000,000
Crisis Response	\$	250,000
Self-Insured Retention	\$	10,000
Premium:	\$	105,000

Fiduciary Liability – Great American Ins. Co.
Policy No. FDP6660691 (Claims Made)

Covers Grand Lodge/Masonic Homes/Acacia Creek

Limit of Liability	\$	5,000,000
Pending or Prior Date		1/1/1987
Retention – Insured Persons Non-Indemnifiable	\$	0
Retention – Company, Plan or IP for Indemnifiable	\$	5,000
Premium:	\$	9,048

Dated: 4/14/2014

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

Grand Lodge Free & Accepted Masons of California and Masonic Homes of California
April 1, 2014 to April 1, 2015 Insurance Summary

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

Combined Maximum Aggregate D&O/EPLI	\$	3,000,000
D&O Limit of Liability / Agg. Incl Defense Costs	\$	3,000,000
EPLI Limits of Liability / Agg:	\$	2,000,000
Retention (Grand Lodge/Masonic Homes)	\$	50,000
Retention (Individual Lodges)	\$	10,000
Pending/Prior Date:		7/1/97
Premium:	\$	89,440

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

Employee Theft	\$	2,000,000
Forgery Coverage	\$	2,000,000
Premises Coverage	\$	2,000,000
Transit Coverage	\$	2,000,000
Computer Fraud/Funds Transfer Fraud	\$	2,000,000
Money Orders/Counterfeit Paper Currency	\$	2,000,000
Deductible - Grand Lodge / Masonic Homes	\$	10,000
Deductible - Individual Lodges	\$	10,000
Premium:	\$	38,849

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

Limit of Liability / Aggregate Incl Defense Costs	\$	1,000,000
Retention	\$	10,000
Pending/Prior Date		8/1/05
Premium:	\$	50,662

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

Employee Theft	\$	1,000,000
Forgery Coverage	\$	1,000,000
Premises Coverage	\$	1,000,000
Transit Coverage	\$	1,000,000
Computer Fraud/Funds Transfer Fraud	\$	1,000,000
Money Orders/Counterfeit Paper Currency	\$	1,000,000
Deductible - Hall Associations	\$	25,000
Premium:	\$	24,318

Masonic Homes - General Liability & Professional Liability - Lloyds
(Non-Admitted)
Policy No. QG003314 (Claims Made)
Covers Masonic Homes Only

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

Masonic Homes - Excess General Liability & Professional Liability -
Lloyds (Non-Admitted)
Policy No. QG004114 (Claims Made)
Covers Masonic Homes Only

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

Acacia Creek - General Liability & Professional Liability - Illinois Union
(Non-Admitted)

Policy No. MLPG23639154004 (Claims Made)
Covers Acacia Creek Only

Professional Liability Per Incident Limit	\$	1,000,000
Professional Liability Aggregate Limit	\$	3,000,000
Sexual Abuse Sub-Limit	\$	1,000,000
Liquor Liability - Each Common Cause/Agg	\$	1,000,000
General Liability - Each Occurrence Limit	\$	1,000,000
General Liability - General Aggregate	\$	3,000,000
Products/Completed Ops. Aggregate	\$	1,000,000
Personal/Advertising Limit	\$	3,000,000
Medical Payments	\$	5,000
Deductible Each Professional Incident	\$	10,000
Retroactive Date		2/15/2010
Premium:	\$	52,500 plus taxes

Acacia Creek - Excess General Liability & Professional Liability -
Illinois Union (Non-Admitted)

Policy No. XFLG23639166004 (Claims Made)
Covers Acacia Creek Only

Each Loss Event	\$	4,000,000
Aggregate Limit	\$	4,000,000
Excess Of	\$	1M / \$3M
Excess of Deductible	\$	10,000
Sexual Abuse Coverage		Included
Premium:	\$	51,000 plus taxes

MCYF - General Liability & Professional Liability - Lexington Ins. Co.
(Non-Admitted)

Policy No. 6796873 (PL Claims-Made/GL Occurrence)
Covers Masonic Center for Youth & Families Only

Professional Liability Each Medical Incident Limit	\$	1,000,000
Professional Liability Aggregate Limit	\$	3,000,000
Sexual Abuse		Included
General Liability - Each Occurrence Limit	\$	1,000,000
General Liability - General Aggregate	\$	3,000,000
Products/Completed Ops. Aggregate	\$	1,000,000
Personal/Advertising Limit	\$	1,000,000
Deductible		None
Retroactive Date		10/1/2010
Premium:	\$	8,935 plus taxes

MCYF - Excess General Liability & Professional Liability - Lexington
Ins. Co. (Non-Admitted)

Policy No. 6796874
Covers Masonic Center for Youth & Families Only

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

Dated: 4/14/2014

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

R E C E I V E D
FEB 27 2015

CONTINUING CARE
CONTRACTS BRANCH

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

**Masonic Homes of California and
Subsidiaries**

October 31, 2014 and 2013

CONTENTS

	PAGE
REPORT OF INDEPENDENT AUDITORS	1
 CONSOLIDATED FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities and changes in net assets	4
Statements of cash flows	5
Notes to financial statements.....	6
 SUPPLEMENTARY INFORMATION	
Consolidating statements of financial position.....	27
Consolidating statements of activities and changes in net assets.....	28
Consolidating statements of cash flows.....	29
Supplemental schedule of program expenses	31
Supplemental schedule of supporting services expenses	32



REPORT OF INDEPENDENT AUDITORS

To the Audit Committee
Masonic Homes of California and Subsidiaries

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Masonic Homes of California and Subsidiaries (collectively the "Organization"), which comprise the consolidated statement of financial position as of October 31, 2014, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Masonic Homes of California and Subsidiaries as of October 31, 2014, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2013 consolidated financial statements and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated February 25, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2013, is consistent, in all material respects, with the audited consolidated financial statements, from which it has been derived.

Other Matters - Supplementary Information

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

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



San Francisco, California
February 20, 2014

CONSOLIDATED FINANCIAL STATEMENTS

—

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
October 31, 2014 (With Summarized Comparative Information as of October 31, 2013)
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	October 31, 2014 Consolidated	October 31, 2013 Total Comparative Totals Only
Assets					
Current assets					
Cash and cash equivalents - unrestricted	\$ 28,634	\$ -	\$ -	\$ 28,634	\$ 5,200
Assets restricted to use	-	-	-	-	270
Funds held for residents	504	-	-	504	706
Receivables, net	1,353	-	-	1,353	694
Prepaid expenses and other assets	1,637	-	-	1,637	899
Related entities receivable	971	-	-	971	735
Assets held for sale	1,207	-	-	1,207	5,076
Total current assets	34,306	-	-	34,306	13,580
Investments, at fair value	693,623	1,652	150,321	845,596	845,596
Property and equipment, net	154,568	-	-	154,568	159,763
Assets held in trusts	-	13,474	32	13,506	13,381
Funds held for residents	878	-	-	878	878
Other assets	3,433	-	-	3,433	3,567
Total assets	\$ 886,808	\$ 15,126	\$ 150,353	\$ 1,052,287	\$ 1,036,765
Liabilities and net assets					
Current liabilities					
Accounts payable and accrued liabilities	\$ 2,608	\$ -	\$ -	\$ 2,608	\$ 3,735
Accrued payroll and benefits payable	1,817	-	-	1,817	4,421
Related entities payable	-	-	-	-	50
Total current liabilities	4,425	-	-	4,425	8,206
Unfunded pension obligation	-	-	-	-	6,000
Liability to beneficiaries of split-interest agreements	-	1,061	2,251	3,312	3,604
Long term debt, net	104,263	-	-	104,263	104,263
Liability for funds held for residents	878	-	-	878	878
Refundable advance fees	28,896	-	-	28,896	23,805
Deferred revenue	24,154	-	-	24,154	25,571
Total liabilities	162,616	1,061	2,251	165,928	172,327
Net assets	724,192	14,065	148,102	886,359	864,438
Total liabilities and net assets	\$ 886,808	\$ 15,126	\$ 150,353	\$ 1,052,287	\$ 1,036,765

See accompanying notes.

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended October 31, 2014
(With Summarized Comparative Information for the Year Ended October 31, 2013)
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	October 31, 2014 Total	October 31, 2013 Totals Only
Public Support and Revenue					
Contributions	\$ 42	\$ 409	\$ 49	\$ 500	\$ 617
Bequests and memorials	2,474	801	490	3,765	3,704
Amortization of deferred revenue from assigned assets	2,795	-	-	2,795	2,400
Amount received from pensions assigned by resident	5,028	-	-	5,028	4,595
Investment income	17,652	254	-	17,906	16,099
Net realized gain on investments	38,740	351	-	39,091	29,785
Fee for Service	6,073	-	-	6,073	4,701
Health service revenue	5,130	-	-	5,130	2,717
Other income	4,663	-	-	4,663	3,187
Change in value of split-interest agreements	-	657	-	657	647
Net assets released from restriction	1,431	(1,431)	-	-	-
Total public support and revenue	84,028	1,041	539	85,608	68,452
Expenses					
Program					
Operation of Acacia Creek and Masonic Homes	42,991	-	-	42,991	39,985
Masonic Outreach Services	8,126	-	-	8,126	7,764
Scholarship	193	-	-	193	164
Total program expenses	51,310	-	-	51,310	47,913
Supporting services					
Marketing	809	-	-	809	921
Fundraising	892	-	-	892	856
Administration	5,740	-	-	5,740	5,494
Total supporting services expenses	7,441	-	-	7,441	7,271
Total expenses	58,751	-	-	58,751	55,184
Excess of revenues over expenses					
before other items	25,277	1,041	539	26,857	13,268
Write off of unamortized portion of 2008 Bond	-	-	-	-	(1,277)
Interest expense	(754)	-	-	(754)	(3,289)
Net unrealized gain (loss) on investments	(610)	46	-	(564)	68,486
Excess of revenues over expenses					
before other changes in net assets	23,913	1,087	539	25,539	77,188
Change in unfunded pension obligation - net	4,879	-	-	4,879	4,926
Net effect of pension plan termination	(8,497)	-	-	(8,497)	-
Non-cash change in swap derivative liability	-	-	-	-	7,369
Change in net assets	20,295	1,087	539	21,921	89,483
Net assets at beginning of year	703,897	12,978	147,563	864,438	774,955
Net assets at end of year	\$ 724,192	\$ 14,065	\$ 148,102	\$ 886,359	\$ 864,438

See accompanying notes.

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended October 31, 2014 and 2013
(In Thousands)

	October 31, 2014	October 31, 2013
Cash flows from operating activities		
Contributions received	\$ 3,053	\$ 3,620
Net proceeds from assigned assets	12,193	11,904
Amounts received from assigned assets	5,028	4,595
Investment income received	17,906	16,099
Fee for service	6,073	4,701
Royalty and other income	8,192	5,235
Cash paid for operating expenses	(55,517)	(52,750)
Cash paid for pension termination	(9,891)	-
Net cash used in operating activities	<u>(12,963)</u>	<u>(6,596)</u>
Cash flows from investing activities		
Net proceeds from sales of investments	89,446	61,364
Purchase of investments	(50,918)	(53,919)
Proceeds from sales of equipment	-	3
Purchase of equipment/construction	(3,137)	(2,462)
Change in assets limited to use	270	(270)
Net cash provided by investing activities	<u>35,661</u>	<u>4,716</u>
Cash flows from financing activities		
Deposits refunded to residents	-	(78)
Contribution restricted for long term investments	539	556
Funds held for residents	201	198
Changes in other assets	(4)	(375)
Swap Derivative termination payments	-	(10,331)
Retirement of 2008 A Bond Series	-	(93,625)
Proceeds from 2013 bond private placement	-	104,263
Net cash provided by financing activities	<u>736</u>	<u>608</u>
Net increase (decrease) in cash	23,434	(1,272)
Cash and cash equivalents, beginning of year	5,200	6,472
Cash and cash equivalents, end of year	<u>\$ 28,634</u>	<u>\$ 5,200</u>
Reconciliation of increase in net assets to net cash used in operating activities		
Change in net assets	\$ 21,921	\$ 89,483
Adjustment to reconcile increase in net assets to net cash used in operating activities		
Depreciation	8,344	8,574
Amortization of deferred revenue	(2,795)	(2,400)
Gain on disposal of property and equipment	-	(1)
Realized and unrealized gain on investments	(38,527)	(98,272)
Unrealized gain on a cash flow hedge	-	(7,369)
Contributions and income received restricted for investment in perpetuity	(539)	(556)
Change in unfunded pension obligation	(6,000)	(4,898)
Write off of 2008 A Bond Series issuance cost	-	1,277
Changes in assets and liabilities		
Receivables	(660)	(158)
Prepaid expenses and other assets	(613)	(2,276)
Related entities receivable and payable	(286)	(1,458)
Assets held for sale	3,869	(3,350)
Assets held in trust	(125)	(794)
Accounts payable and accrued liabilities	(3,729)	858
Liability to beneficiaries of split interest agreements	(292)	165
Deferred revenue from assigned assets, net	6,469	14,579
Net cash provided by operating activities	<u>\$ (12,963)</u>	<u>\$ (6,596)</u>

See accompanying notes.

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Masonic Homes is subject to statutory reserve requirements. As of October 31, 2014, Masonic Homes’ reserves, as calculated in accordance with Continuing Care Contract Statutes of the California Health and Safety Code, were in excess of such requirements.

Masonic Homes affiliated with Acacia Creek, A Masonic Retirement Living Community at Union City (“Acacia Creek – UC”) by becoming the sole shareholder of Acacia Creek – UC. Masonic Homes owns Acacia Creek – UC with the purpose of serving the housing needs of the elderly with independent, assisted living and dementia units. Acacia Creek – UC is included in the consolidated financial statements of Masonic Homes for the year ended October 31, 2014.

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

Comparative information – The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements for the year ended October 31, 2013, from which the summarized information was derived.

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

Unrestricted – Unrestricted net assets represent resources that are not subject to donor-imposed restrictions and are available to support Masonic Homes’ activities.

Temporarily restricted – Temporarily restricted net assets represent contributions that are limited in use in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Organization according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and reported as unrestricted. If a restriction is fulfilled in the same fiscal year in which the contribution was received, the contribution is reported as temporarily restricted support and net assets released from restrictions in that period.

Permanently restricted – Permanently restricted net assets represent contributions to be held in perpetuity as directed by the donor.

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

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

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair valuation process - The Organization determines fair value measurement policies and procedures for assets and liabilities under the supervision of the Investment Committee. These policies and procedures are reassessed annually to determine if the current valuation techniques are still appropriate. A variety of qualitative factors are used to subjectively determine the most appropriate valuation methodologies. Methodologies are consistent with the market, income and cost approaches. Unobservable inputs used in fair value measurements are evaluated and adjusted on an annual basis, or as necessary based on current market conditions and other third party information. In determining the reasonableness of the methodology Masonic Homes evaluates a variety of factors including a review of existing agreements, economic conditions, industry, and market developments. Certain unobservable inputs are assessed through review of contract terms while others are substantiated utilizing available market data including but not limited to market comparables, qualified opinions, and discount rates and mortality tables for split interest agreements.

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

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

	2014 <u>(In Thousands)</u>	2013 <u>(In Thousands)</u>
Operating cash	\$ 2,003	\$ 1,551
Money market	26,631	3,649
Total cash and cash equivalents - unrestricted	<u>\$ 28,634</u>	<u>\$ 5,200</u>

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

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

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

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

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

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

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

Liability to beneficiaries of split-interest agreements

Deferred revenue from pooled income fund – Deferred revenue from pooled income fund represents the discount for future investment earnings on Masonic Homes’ remainder interest in the Masonic Homes Pooled Income Fund (the “Pooled Income Fund”) (Note 5). Masonic Homes has determined the amount deferred using the tax deduction methodology from Internal Revenue Service (“IRS”) Publication 1457 tables, and a discount rate of 3.665% as of October 31, 2014 and 2013, respectively. Deferred revenue from pooled income fund included in liability to beneficiaries of split-interest agreements in the consolidated statements of financial position was \$368,883 and \$388,200 as of October 31, 2014 and 2013, respectively.

Liability to beneficiaries of charitable remainder trusts – Liability to beneficiaries of charitable remainder trusts represents the income beneficiaries’ interest in various charitable remainder trusts of which Masonic Homes is the trustee (Note 5). The liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. Masonic Homes has determined the amount of the liability using the tax deduction methodology from IRS Publication 1457, Table S, or IRS Publication 1458, Table D, as applicable, and using a discount rate of 6.00% as of October 31, 2014 and 2013. Liabilities to beneficiaries of charitable remainder trusts included in liabilities to beneficiaries in the consolidated statements of financial position was \$2,212,273 and \$2,482,910 as of October 31, 2014 and 2013, respectively.

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue recognition

Masonic Homes

Residency fees – The adult residents who enter Masonic Homes are required by a life-care agreement to assign 75% of their assets to Masonic Homes in exchange for continuing care for the remainder of their lives. In the event that a continuing care contract is canceled by the resident through withdrawal within the first 90 days of residency, the resident is entitled to a pro-rata refund of all his or her assigned assets. As of October 31, 2014 and October 31, 2013, deferred revenues from assigned assets subject to refund, were \$285,918 and \$3,137,803, respectively. The remaining portion is amortized over the life of the resident and is included in deferred revenue.

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

Health service revenue - Masonic Homes - Health service revenues are recognized in the month in which services are provided and collectability is reasonably assured. In addition, health service revenue is presented net of third party rate adjustments. Other revenue is recognized as the related services are provided and includes guest services income, catering income, and other miscellaneous income.

Masonic Homes provides health care services primarily to residents of its communities. Laws and regulations governing Medicare and Medi-Cal programs are complex and subject to interpretation. Masonic Homes believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medi-Cal programs.

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

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

Acacia Creek

Entrance fees - Acacia Creek – The adult residents who enter and sign a Residence and Care agreement are allowed a 90-day trial period during which the resident may leave the community at their discretion and receive, upon written notice, a refund of all fees less a reasonable processing fee and fees for the value of services rendered during occupancy. The majority of the adult resident entrance fees are refundable ranging from 50% to 100% upon the resident's death or termination of the contract. Acacia Creek is required to refund the entrance fees when the unit is re-sold. As of October 31, 2014 and 2013, refundable entrance fees subject to refund were \$28,896,137 and \$23,804,997, respectively. The nonrefundable portion is amortized over the life of the resident and is included in deferred revenue.

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

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

New accounting pronouncements – In April 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") no. 2013-06, *Services Received from Personnel of an Affiliate* ("ASU 2013-06") to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at a cost will significantly overstate or understate that service received, the recipient not-for-profit entity may elect to recognize that service at either (1) the cost recognized by the affiliate for personnel providing that service or (2) the fair value of that service. The organization implemented this guidance in 2014. The adoption did not have a material impact on the consolidated financial statements.

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

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – FUNDS HELD FOR RESIDENTS

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

	2014 (In Thousands)	2013 (In Thousands)
Acacia Creek - UC	\$ 878	\$ 878
Masonic Homes Union City	65	52
Masonic Homes Covina	439	654
Total funds held for residents	<u>\$ 1,382</u>	<u>\$ 1,584</u>

NOTE 3 – INVESTMENTS

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

Investments consisted of the following as of October 31:

	2014 (In Thousands)	2013 (In Thousands)
Corporate stocks	\$ 298,099	\$ 295,885
Equity mutual funds	179,489	186,112
Alternative investments	134,442	128,098
Fixed income mutual funds	233,566	235,501
Total investments	<u>\$ 845,596</u>	<u>\$ 845,596</u>

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

Alternative investment strategy	of funds	2014 (In Thousands)		of funds	2013 (In Thousands)	
Real estate investment trust	1	\$ 43,188		1	\$ 39,016	
Hedge fund of funds	2	41,638		1	47,680	
Managed Futures	1	49,616		2	41,402	
Total alternative investments	4	<u>\$ 134,442</u>		4	<u>\$ 128,098</u>	

The following table shows the gross unrealized losses and fair value of investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category, and length of time that individual securities have been in a continuous unrealized loss position, at October 31, 2014 and 2013:

	2014 (In Thousands)					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed Income Mutual Funds	\$ -	\$ -	\$ 111,729	\$ (5,613)	\$ 111,729	\$ (5,613)
Alternative investments	-	-	43,188	(1,274)	43,188	(1,274)
Total temporarily impaired investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,917</u>	<u>\$ (6,887)</u>	<u>\$ 154,917</u>	<u>\$ (6,887)</u>

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2013					
	(In Thousands)					
	Less than 12 months		12 months or greater		Total	
Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	
Fixed Income Mutual Funds	\$ 118,980	\$ (489)	\$ -	\$ -	\$ 118,980	\$ (489)
Alternative investments	-	-	39,015	(3,904)	39,015	(3,904)
Total temporarily impaired investments	<u>\$ 118,980</u>	<u>\$ (489)</u>	<u>\$ 39,015</u>	<u>\$ (3,904)</u>	<u>\$ 157,995</u>	<u>\$ (4,393)</u>

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

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

As of October 31, 2014, the fair market of the investments and assets held in trust was \$859,101,424. As of December 31, 2014, fair market value of the investments and assets held in trust outstanding was \$877,617,977.

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

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

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

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

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

Available-for-sale securities/assets held in trust – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include certain real estate investments, hedge fund of funds, and other less liquid securities using investment appropriate models like the income approach for real estate investments and a net asset value approach for the hedge fund of funds. For those assets held in trust classified as Level 3, the fair value is based on the fair value of underlying investments and Masonic Homes’ percentage of interest in the trust.

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	2014			
	Fair Value	(In Thousands)		
	Level 1	Level 2	Level 3	
Available-for-sale				
Corporate stocks				
Domestic Stocks	\$ 131,075	\$ 131,075	\$ -	\$ -
Foreign Stocks	167,024	166,171	853	-
Equity mutual funds				
Domestic equity (BGI, Kaspick)	91,887	6,389	85,498	-
Foreign equity (GMO, CG, Kas)	87,602	87,602	-	-
Alternative investments	134,442	-	43,188	91,254
Fixed income mutual funds	233,566	233,566	-	-
Total available for sale - investments	<u>845,596</u>	<u>624,803</u>	<u>129,539</u>	<u>91,254</u>
Assets held in trust				
Corporate stocks				
Domestic stocks	448	32	-	416
Foreign stocks	-	-	-	-
Equity mutual funds				
Domestic stocks	4,506	3,322	-	1,184
Foreign stocks	2,366	1,640	-	726
Alternative investments	237	-	-	237
Fixed income mutual funds	5,537	4,704	-	833
Money market accounts	412	317	-	95
Total assets held in trust	<u>13,506</u>	<u>10,015</u>	<u>-</u>	<u>3,491</u>
Total	<u>\$ 859,102</u>	<u>\$ 634,818</u>	<u>\$ 129,539</u>	<u>\$ 94,745</u>

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2013			
	(In Thousands)			
	Fair Value	Level 1	Level 2	Level 3
Available-for-sale				
Corporate stocks				
Domestic Stocks (E, D, F)	\$ 127,337	\$ 127,337	\$ -	\$ -
Foreign Stocks (TF, HL)	168,547	167,476	1,071	-
Equity mutual funds				
Domestic equity (BGI, Kaspick)	95,902	7,033	88,869	-
Foreign equity (GMO, CG, Kas)	90,211	90,211	-	-
Alternative investments	128,098	-	39,015	89,083
Fixed income mutual funds	235,501	235,501	-	-
Total available for sale - investments	<u>845,596</u>	<u>627,558</u>	<u>128,955</u>	<u>89,083</u>
Assets held in trust				
Corporate stocks				
Domestic stocks	624	-	-	624
Foreign stocks	-	-	-	-
Equity mutual funds				
Domestic stocks	4,793	3,737	-	1,056
Foreign stocks	1,756	1,143	-	613
Alternative investments	233	-	-	233
Fixed income mutual funds	5,567	4,745	-	822
Money market accounts	408	329	-	79
Total assets held in trust	<u>13,381</u>	<u>9,954</u>	<u>-</u>	<u>3,427</u>
Total	<u>\$ 858,977</u>	<u>\$ 637,512</u>	<u>\$ 128,955</u>	<u>\$ 92,510</u>

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

	Fair Value	Q-BLK Strategic Partners II, Ltd. (Blackrock)	PIMCO BRAVO II	Managed Futures	Assets Held in Trust
Balance, October 31, 2012	\$ 78,623	\$ 39,128	\$ -	\$ 36,269	\$ 3,226
Total realized and unrealized gain and loss					
Included in excess of revenues and expenses	1,902	3,648	2	(1,748)	-
Included in changes in unrestricted net assets	1,050	(246)	166	1,130	-
Included in changes in temporarily restricted net asset:	201	-	-	-	201
Purchases, issuances, and settlements					
Purchases	10,734	1,000	3,983	5,751	-
Balance, October 31, 2013	<u>92,510</u>	<u>43,530</u>	<u>4,151</u>	<u>41,402</u>	<u>3,427</u>
Total realized and unrealized gain and loss					
Included in excess of revenues and expenses	4,248	2,647	1,008	593	-
Included in changes in unrestricted net assets	6,979	(298)	621	6,656	-
Included in changes in temporarily restricted net asset:	64	-	-	-	64
Purchases, issuances, and settlements					
Purchases	13,883	-	12,919	964	-
Issuances	-	-	-	-	-
Sales	(22,939)	(22,939)	-	-	-
Balance, October 31, 2014	<u>\$ 94,745</u>	<u>\$ 22,940</u>	<u>\$ 18,699</u>	<u>\$ 49,615</u>	<u>\$ 3,491</u>

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

The following table provides the fair value and redemption terms and restrictions for investments redeemable at net asset value as of October 31, 2014:

Fund Type	Fair Value (in millions)	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Managed Futures	\$ 49,615	\$ -	Monthly	5-10 days
Real Estate (UBS TPF)	\$ 43,188	\$ -	Quarterly	60 days
Blackrock (Quellos) HFOF	\$ 22,939	\$ -	Monthly/Quarterly	90-180 days
Colective Trust Fund (BlackRock US Equity)	\$ 85,498	\$ -	Daily	1 - 5 days
PIMCO Bravo II	\$ 18,699	\$ 23,000	n/a	n/a

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

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

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

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

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

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

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

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-term debt – The fair value of long-term debt is estimated based on discounted cash flow analyses, based on Masonic Homes' current incremental borrowing rates for similar types of borrowing arrangements. The debt instruments as of October 31, 2014 and 2013 materially approximate their carrying values (Note 13).

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

	2014		2013	
	(In Thousands)		(In Thousands)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents - unrestricted	\$ 28,634	\$ 28,634	\$ 5,200	\$ 5,200
Assets restricted to use	\$ -	\$ -	\$ 270	\$ 270
Available-for-sale securities - investments	\$ 845,596	\$ 845,596	\$ 845,596	\$ 845,596
Assets held in trust	\$ 13,506	\$ 13,506	\$ 13,381	\$ 13,381
Long-term debt	\$ (104,263)	\$ (104,263)	\$ (104,263)	\$ (104,263)

NOTE 4 – PROPERTY AND EQUIPMENT

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

	2014	2013
	(In Thousands)	(In Thousands)
Land and improvements	\$ 16,041	\$ 15,929
Buildings and improvements	233,384	232,550
Furniture and equipment	23,168	22,418
Construction in progress	2,160	719
Leasehold improvement	190	190
Total property and equipment	274,943	271,806
Less: accumulated depreciation	(120,375)	(112,043)
Property and equipment, net	<u>\$ 154,568</u>	<u>\$ 159,763</u>

Depreciation expense for the years ended October 31, 2014 and 2013, totaled \$ 8,344,587 and \$8,573,412, respectively.

NOTE 5 – ASSETS HELD IN TRUST

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

	2014	2013
	(In Thousands)	(In Thousands)
Contributions receivable from split-interest agreements	\$ 322	\$ 326
Assets of pooled income fund	869	1,097
Assets of charitable remainder trusts	7,568	7,342
Assets of charitable gift annuities	1,578	1,515
Beneficial interest in perpetual trusts	3,169	3,101
Total assets held in trusts	<u>\$ 13,506</u>	<u>\$ 13,381</u>

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

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Contributions are measured at the fair value of the assets received and discounted for the estimated life expectancy of the donor, which is obtained from life expectancy tables published by the IRS. The amount discounted is reported as discount for future interest and recognized using the straight-line method over the donor's remaining life expectancy. The interest rate used in calculating the discount approximates the average return provided by the fund in the years prior to the applicable contribution. As of October 31, 2014 and 2013, the rates were estimated to be 3.67%.

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

Assets of charitable gift annuities – Assets of charitable gift annuities consist of cash and other assets received under irrevocable annuity contracts. These contracts guarantee a specified amount for the life of the donor, or beneficiaries designated by the donor. The assets received are not commingled with the general assets of the Masonic Homes. A reserve account has been established and invested in accordance with California statutes. The discount rates used range from 1.20% to 6.00%. Upon the death of the donor, the remaining funds revert to the Masonic Homes and are taken into income. The change in present value of the gift annuities for the year ended October 31, 2014 and 2013 is \$27,401 and \$234,528, respectively.

Beneficial interests in perpetual trusts – Beneficial interests in perpetual trusts represent the net present value of Masonic Homes' irrevocable interest in the income generated from various perpetual trusts held by third-party trustees. The assets of the trusts have been donor restricted for investment in perpetuity. The beneficial interest of the trust included in the consolidated financial statements of position is \$ 3,168,596 and \$3,101,104 at October 31, 2014 and 2013, respectively.

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

Changes in deferred revenue from assigned assets and refundable advanced fees are as follows for the year ended October 31, 2014 and 2013.

	2014	2013
	(In Thousands)	(In Thousands)
Balance, beginning of period and year	\$ 49,376	\$ 37,197
Received from new residents	10,374	18,919
Amortized		
Due to deaths and withdrawals	(1,676)	(3,412)
Based on actuarial calculation	(5,024)	(3,328)
Balance, end of period and year	<u>\$ 53,050</u>	<u>\$ 49,376</u>

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	<u>2014</u> (In Thousands)	<u>2013</u> (In Thousands)
Available for use in awarding scholarships or other programs related to children	\$ 6,240	\$ 5,824
Available for use in the activities of the homes in Union City and Covina upon lapse of time restrictions	<u>7,825</u>	<u>7,154</u>
Total temporarily restricted net assets	<u>\$ 14,065</u>	<u>\$ 12,978</u>

Net assets were released from donor restrictions as shown in the following table for the years ended October 31, 2014 and 2013. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2014</u> (In Thousands)	<u>2013</u> (In Thousands)
Use in the activities of the home for adults in Union City, California	\$ 166	\$ 608
Use in the activities of the home for adults/children in Covina, California	653	373
Use in Masonic Outreach Services	419	461
Use in awarding scholarships and other community sponsorship	<u>193</u>	<u>164</u>
Total net assets released from restrictions	<u>\$ 1,431</u>	<u>\$ 1,606</u>

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2014</u> (In Thousands)	<u>2013</u> (In Thousands)
Use in the activities of Masonic Homes	\$ 146,112	\$ 145,570
Use in awarding scholarships	1,668	1,667
Use for investment in the Endowment Fund	<u>322</u>	<u>326</u>
Total permanently restricted net assets	<u>\$ 148,102</u>	<u>\$ 147,563</u>

NOTE 9 – RETIREMENT PLANS

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

Plan termination – The Plan was frozen effective March 31, 2007 and all benefits ceased to accrue. On February 28, 2014, the board of directors of the Grand Lodge, voted to terminate the Plan effective July 30, 2014. The board also approved an amendment to the plan to offer a one-time opportunity to elect lump sum for all non-retired participants. The amendment also provides for late retirement benefits and in-service retirement income.

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accrued benefits of each participant became nonforfeitable, and the net assets of the Plan will be allocated, as prescribed by the terms and provisions of the Plan in accordance with ERISA and its related regulations, to provide benefits, subject to any required approval of the IRS and the Pension Benefit Guaranty Corporation (PBGC). Participants in the plan are fully vested and may elect to have their benefit in the Plan distributed in the form of a lump sum payment or in an annuity purchased by the plan for the benefit of the participant.

As of October 31, 2014, the Plan paid out all the benefits in the form of a lump sum payment to terminated vested employees and active employees or through the purchase of an annuity for retired participants and those participants who did not choose a lump sum. The annuities were purchased through Mass Mutual Financial Group, the replacement Trustee of the Plan. Total amount paid to the plan participants in the form of a lump sum payment was \$11,556,259 and the annuity purchases paid to Mass Mutual Financial Group were \$23,696,519.

The following table summarizes the Plan's activities for the year ended October 31, 2014 and 2013:

	2014 (In Thousands)	2013 (In Thousands)
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 29,585	\$ 33,427
Interest cost	1,477	1,334
Actuarial loss (gain)	6,149	(3,612)
Benefits paid	(1,477)	(1,337)
Administrative expenses	(590)	(227)
Settlements	(35,144)	-
Benefit obligation at year end	<u>-</u>	<u>29,585</u>
Change in plan assets		
Fair value of plan assets at beginning of period and year	22,429	20,403
Actual return on plan assets	1,303	2,752
Employer contribution	13,693	838
Benefits paid	(1,477)	(1,337)
Administrative expenses paid	(590)	(227)
Settlements	(35,145)	-
Fair value of plan assets at end of year	<u>213</u>	<u>22,429</u>
Funded Status	<u>\$ 213</u>	<u>\$ (7,156)</u>
Amounts recognized in the statement of activities and changes in net assets consist of:		
Noncurrent liabilities	<u>\$ (213)</u>	<u>\$ 7,156</u>
Net actuarial loss	<u>\$ -</u>	<u>\$ 8,227</u>
Amounts recognized in the statement of activities and changes in net assets consist of:		
Net periodic pension cost	\$ 14,551	\$ 1,058
Amortized net gain	(584)	(1,117)
Net loss (gain)	5,069	(4,972)
Settlements	(12,712)	-
	<u>\$ 6,324</u>	<u>\$ (5,031)</u>

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2014 <u>(In Thousands)</u>	2013 <u>(In Thousands)</u>
Components of net periodic benefit cost:		
Interest cost	\$ 1,477	\$ 1,333
Expected return on plan assets	(222)	(1,392)
Recognized net actuarial loss	584	1,117
Settlements	12,712	-
	<u>\$ 14,551</u>	<u>\$ 1,058</u>

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

	2014	2013
Discount rate	5.10%	4.10%
Long-term rate of return on plan assets	1.00%	7.00%

The following weighted-average assumptions were used to determine the Plan's net periodic cost for the year ended October 31, 2014 and 2013:

	2014	2013
Discount rate	0.00%	5.10%
Rate of compensation increase	0.00%	0.00%

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

Asset Category	2014	2013
Corporate stocks	0.00%	0.00%
Equity mutual funds	0.00%	47.83%
Alternative	0.00%	6.45%
Fixed Income	0.00%	44.77%
Money Market	100.00%	0.95%
Total	<u>100.00%</u>	<u>100.00%</u>

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

October 31, 2014				
(In Thousands)				
	Fair Value	Level 1	Level 2	Level 3
Available-for-sale				
Money Market	\$ 213	\$ 213	\$ -	\$ -
Total available for sale - investments	<u>\$ 213</u>	<u>\$ 213</u>	<u>\$ -</u>	<u>\$ -</u>
October 31, 2013				
(In Thousands)				
	Fair Value	Level 1	Level 2	Level 3
Available-for-sale				
Equity mutual funds				
Domestic equity (BGI, Kaspick)	\$ 5,398	\$ 5,398	\$ -	\$ -
Foreign equity (GMO, CG, Kas)	5,329	5,329	-	-
Alternative investments	1,446	-	1,446	-
Fixed income mutual funds	10,042	10,042	-	-
Money Market	212	212	-	-
Total available for sale - investments	<u>\$ 22,427</u>	<u>\$ 20,981</u>	<u>\$ 1,446</u>	<u>\$ -</u>

Contributions – Masonic Homes contributed \$13,693,023 to its pension plan during the fiscal year ended October 31, 2014. This consists of \$11,686,479 related to the pension plan termination and \$2,006,544 related to pension plan quarterly required contribution.

Defined contribution plan – The California Masonic Retirement Plan II (“Retirement Plan”) a defined contribution plan sponsored by the Grand Lodge was effective on April 1, 2007. Masonic Homes, Acacia Creek – UC, the Grand Lodge, and the Temple participate in the Retirement Plan that covers all employees who meet certain age and service requirements. The Retirement Plan provides for both an employer contribution and an employer match of employee contributions. The total employer contributions and matches made by the Masonic Homes and Acacia Creek - UC to the plan were \$1,049,871 and \$997,281 for the years ended October 31, 2014 and 2013, respectively.

NOTE 10 – RELATED-PARTY TRANSACTIONS

The Grand Lodge provides general and administrative support to Masonic Homes, for which the Grand Lodge is reimbursed through an allocation of certain expenses. The allocations to the Masonic Homes were \$6,856,604 and \$6,551,953 for the year ended October 31, 2014 and 2013, respectively.

NOTE 11 – CONTINGENCIES AND COMMITMENTS

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

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions known or unasserted at this time.

NOTE 12 – SUPPLEMENTAL CASH-FLOW INFORMATION

Noncash operating transactions include net changes in unfunded pension obligation of \$(6,000,269) and \$(4,897,853) for the years ended October 31, 2014 and 2013, respectively.

NOTE 13 – LONG TERM DEBT

Long term debt at October 31, 2014 and 2013, consisted of the following:

	2014	2013
Association of Bay Area Government Bonds, Series 2013A, variable rate equal to one month Libor plus 60 basis points, annual payments beginning November 1, 2016 continuing, to July 1, 2038.	\$ 99,423,319	\$ 99,423,319
Bank of America Public Capital Corporation loan, variable rate equal to one month Libor plus 75 basis points, annual payments beginning November 1, 2016 continuing, to November 1, 2038.	4,840,000	4,840,000
Total	\$ 104,263,319	\$ 104,263,319

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

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

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

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

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

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Annual maturities of the loan as of October 31, 2013, are as follows:

2015	\$	-
2016		3,032,639
2017		3,143,832
2018		3,249,716
2019		3,355,599
Thereafter		91,481,533
		<u>104,263,319</u>
	\$	<u>104,263,319</u>

Interest paid for the year ended October 31, 2014 and 2013 on long term debt was \$753,651 and zero, respectively. Interest paid for the year ended October 31, 2013 on Series 2008A bonds was \$4,566,425.

NOTE 14 - SWAP DERIVATIVE AGREEMENT

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

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

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

The effective portion of the change in fair value of the swaps is included as a component of net assets below the performance indicator. The cumulative effective portion included in net assets was a net unrealized gain of \$7,368,965 at October 31, 2013. The fair market value of the swaps is determined using the zero coupon method (Level 2 inputs).

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

NOTE 15 – UPMIFA DISCLOSURES

Board interpretation of law

Interpretation of Relevant Law UPMIFA enacted by California, FMV preservation – The Board of Trustees of the Masonic Homes has interpreted the California Prudent Management of Institutional Funds Act (“CPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Masonic Homes classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted or temporarily restricted net assets until those amounts are appropriated for expenditure by the Masonic Homes in a manner consistent with the standard of prudence prescribed by CPMIFA. In accordance with CPMIFA, the Masonic Homes considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Spending policy, investing policy, and strategy

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

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

Spending policy and how the investment objectives relate to spending policy – For 2014/2013, Masonic Homes has a policy of appropriating for distribution 4.25% - 5.00% of its endowment fund’s average fair value over the prior twenty quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Masonic Homes considered the long-term expected return on its endowment. Accordingly, over the long term, the Masonic Homes expects the current spending policy to allow its endowment to grow at an average of 3.00% annually. This is consistent with the Masonic Homes’ objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Endowments by net asset class, in total and by fund

	October 31, 2014			October 31, 2013		
	Unrestricted	(In Thousands) Restricted	Restricted	Unrestricted	(In Thousands) Restricted	Restricted
Donor-restricted endowment funds	\$ -	\$ 14,065	\$ 148,102	\$ -	\$ 12,978	\$ 147,563
Board-designated endowment funds	233,889	-	-	222,983	-	-
Total endowment funds	\$ 233,889	\$ 14,065	\$ 148,102	\$ 222,983	\$ 12,978	\$ 147,563

Reconcile beginning and ending balance by net asset class

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(In Thousands)			
Endowment net assets, October 31, 2013	\$ 222,983	\$ 12,978	\$ 147,563	\$ 383,524
Investment return:				
Realized gains (loss)	13,768	1,009	-	14,777
Investment Income	9,235	254	-	9,489
Unrealized gains (loss)	2,527	46	-	2,573
Total investment return	25,530	1,309	-	26,839
Contributions	-	65	539	604
Release from restrictions	287	(287)	-	-
Release/transfer to general fund and/or operation	(13,436)	-	-	(13,436)
Expenses	(1,475)	-	-	(1,475)
Endowment net assets, October 31, 2014	\$ 233,889	\$ 14,065	\$ 148,102	\$ 396,056

Nature and types of restrictions

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

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

	October 31, 2014	October 31, 2013
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	\$ 148,102	\$ 147,563
Total endowment funds classified as permanently restricted net assets	<u>\$ 148,102</u>	<u>\$ 147,563</u>
Temporarily Restricted Net Assets		
Term endowment funds	\$ 14,065	\$ 12,978
Total endowment funds classified as temporarily restricted net assets	<u>\$ 14,065</u>	<u>\$ 12,978</u>

Aggregate amount of deficiencies for donor-restricted endowments

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Masonic Homes to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, there was no deficiency of this nature that was reported in unrestricted net assets as of October 31, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations of permanently restricted contributions and continued appropriations for certain programs deemed prudent by the Board of Trustees.

NOTE 16 – SUBSEQUENT EVENTS

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

The Organization has evaluated subsequent events through February 20, 2015, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

—

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
As of October 31, 2014
(With Summarized Comparative Information as of October 31, 2013)
(In Thousands)

	Unrestricted		Elimination/ Reclass	Total	Temporarily Restricted Masonic Homes	Permanently Restricted Masonic Homes	October 31, 2014		October 31, 2013	
	Acacia Creek Union City	Masonic Homes					Consolidated	Total	Consolidated	Comparative
Assets										
Current assets										
Cash and cash equivalents - unrestricted	\$ 797	\$ 27,837	\$ -	\$ 28,634	\$ -	\$ -	\$ 28,634	\$ -	\$ 5,200	\$ 270
Assets restricted to use	-	-	-	-	-	-	-	-	-	706
Funds held for residents	-	504	-	504	-	-	504	-	694	-
Receivables, net	7	1,346	-	1,353	-	-	1,353	-	-	-
Notes receivable - related party	-	10,000	(10,000)	-	-	-	-	-	-	-
Prepaid expenses and other assets	228	1,409	-	1,637	-	-	1,637	-	899	-
Related entities receivable	76	4,316	(3,421)	971	-	-	971	-	735	-
Assets held for sale	-	1,207	-	1,207	-	-	1,207	-	5,076	-
Total current assets	1,108	46,619	(13,421)	34,306	-	-	34,306	-	13,580	-
Investments, at fair value	18,728	674,895	-	693,623	1,652	150,321	845,596	-	845,596	-
Property and equipment, net	79,733	74,835	-	154,568	-	-	154,568	-	159,763	-
Assets held in trusts	-	-	-	-	13,474	32	13,506	-	13,381	-
Funds held for residents	878	-	-	878	-	-	878	-	878	-
Other assets	362	3,071	-	3,433	-	-	3,433	-	3,567	-
Total assets	\$ 100,809	\$ 799,420	\$ (13,421)	\$ 886,808	\$ 15,126	\$ 150,353	\$ 1,052,287	\$ -	\$ 1,036,765	\$ -
Liabilities and net assets										
Current liabilities										
Accounts payable and accrued liabilities	\$ 508	2,100	\$ -	2,608	\$ -	\$ -	2,608	\$ -	3,735	\$ -
Accrued payroll and benefits payable	45	1,772	-	1,817	-	-	1,817	-	4,421	-
Note payable - related party	10,000	-	(10,000)	-	-	-	-	-	-	-
Related entities payable	3,421	-	(3,421)	-	-	-	-	-	-	-
Total current liabilities	13,974	3,872	(13,421)	4,425	-	-	4,425	-	50	-
Unfunded pension obligation	-	-	-	-	-	-	-	-	-	6,000
Liability to beneficiaries of split-interest agreements	-	-	-	-	1,061	2,251	3,312	-	3,604	-
Long term debt	104,263	-	-	104,263	-	-	104,263	-	104,263	-
Liability for funds held for residents, net	878	-	-	878	-	-	878	-	878	-
Refundable advance fees	28,896	-	-	28,896	-	-	28,896	-	23,805	-
Deferred revenue	5,913	18,241	-	24,154	-	-	24,154	-	25,571	-
Total liabilities	153,924	22,113	(13,421)	162,616	1,061	2,251	165,928	-	172,327	-
Net assets	(53,115)	777,307	-	724,192	14,065	148,102	886,359	-	864,438	-
Total liabilities and net assets	\$ 100,809	\$ 799,420	\$ (13,421)	\$ 886,808	\$ 15,126	\$ 150,353	\$ 1,052,287	\$ -	\$ 1,036,765	\$ -

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended October 31, 2014
(With Summarized Comparative Information for the Year Ended October 31, 2013)
(In Thousands)

	Unrestricted		Elimination/ Reclass	Total	Temporary Restricted Masonic Homes	Permanently Restricted Masonic Homes	October 31, 2014		October 31, 2013	
	Acacia Creek Union City	Masonic Homes					Consolidated	Total	Consolidated	Total
Public Support and Revenue										
Contributions	\$ -	\$ 42	\$ -	\$ 42	\$ 409	\$ 49	\$ 500	\$ 617		
Requests and memorials	18	2,456	-	2,474	801	490	3,765	3,704		
Amortization of deferred revenue	556	2,239	-	2,795	-	-	2,795	2,400		
Amount received from pensions assigned by resident	-	5,028	-	5,028	-	-	5,028	4,595		
Investment income	244	17,408	-	17,652	254	-	17,906	16,099		
Net realized gain (loss) on investments	439	38,301	-	38,740	351	-	39,091	29,785		
Fee for service	4,832	1,241	-	6,073	-	-	6,073	4,701		
Health service revenue	-	5,130	-	5,130	-	-	5,130	-		
Other revenue	528	4,135	-	4,663	-	-	4,663	5,904		
Change in value of split-interest agreements	-	-	-	-	657	-	657	647		
Net assets released from restriction	-	1,431	-	1,431	(1,431)	-	-	-		
Total public support and revenue	6,617	77,411	-	84,028	1,041	539	85,608	68,452		
Expenses										
Program										
Operation of Acacia Creek and Masonic Homes	7,607	35,384	-	42,991	-	-	42,991	39,985		
Masonic Outreach Services	-	8,126	-	8,126	-	-	8,126	7,764		
Scholarship and other program	-	193	-	193	-	-	193	164		
Total program expenses	7,607	43,703	-	51,310	-	-	51,310	47,913		
Supporting services										
Marketing	809	-	-	809	-	-	809	921		
Fundraising	-	892	-	892	-	-	892	856		
Administration	838	4,902	-	5,740	-	-	5,740	5,494		
Total supporting services expenses	1,647	5,794	-	7,441	-	-	7,441	7,271		
Total expenses	9,254	49,497	-	58,751	-	-	58,751	55,184		
Excess (deficit) of revenues over expenses	(2,637)	27,914	-	25,277	1,041	539	26,857	13,268		
before other items										
Write off of unamortized portion of 2008 Bond	-	-	-	-	-	-	-	(1,277)		
Intercompany interest income (expense)	(523)	523	-	-	-	-	-	-		
Interest expense	(754)	(779)	-	(1,533)	-	-	(754)	(3,289)		
Net unrealized gain (loss) on investments	169	(779)	-	(610)	46	-	(564)	68,486		
Excess of revenues over expenses	(3,745)	27,658	-	23,913	1,087	539	25,539	77,188		
before other changes in net assets										
Change in unfunded pension obligation - net	-	4,879	-	4,879	-	-	4,879	4,926		
Net effect of pension plan termination	-	(8,497)	-	(8,497)	-	-	(8,497)	7,369		
Non-cash change in swap derivative liability	-	-	-	-	-	-	-	-		
Change in net assets	(3,745)	24,040	-	20,295	1,087	539	21,921	89,483		
Net assets at beginning of year	(49,370)	753,267	-	703,897	12,978	147,563	864,438	774,955		
Net assets at end of year	(53,115)	777,307	-	724,192	14,065	148,102	886,359	864,438		

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Year Ended October 31, 2014
(With Summarized Comparative Information for the Year Ended October 31, 2013)
(In Thousands)

	October 31, 2014		October 31, 2013	
	Acacia Creek - Union City	Masonic Homes	Total	Comparative Total Only
Cash flows from operating activities				
Contributions received	\$ 18	\$ 3,035	\$ 3,053	\$ 3,620
Net proceeds from assigned assets	6,915	5,278	12,193	11,904
Amounts received from assigned assets	-	5,028	5,028	4,595
Investment income received	244	17,662	17,906	16,099
Interest income (expense) from related party	(523)	523	-	-
Fee for service	4,832	1,241	6,073	4,701
Royalty and other income	528	7,664	8,192	5,235
Cash paid for operating expenses	(6,679)	(48,838)	(55,517)	(52,750)
Cash paid for pension termination	-	(9,891)	(9,891)	-
Net cash provided by (used in) operating activities	5,335	(18,298)	(12,963)	(6,596)
Cash flows from investing activities				
Net proceeds from sales of investments	2,962	86,484	89,446	61,364
Purchase of investments	(7,910)	(43,008)	(50,918)	(53,919)
Proceeds from sales of equipment	-	-	-	3
Purchase of equipment/construction	(1,135)	(2,002)	(3,137)	(2,462)
Change in assets limited as to use	270	-	270	(270)
Net cash provided by (used in) investing activities	(5,813)	41,474	35,661	4,716
Cash flows from financing activities				
Deposits refunded to residents	-	-	-	(78)
Contribution restricted for long term investments	-	539	539	556
Funds held for residents	-	201	201	198
Changes in other assets	(4)	-	(4)	(375)
Swap Derivative termination payments	-	-	-	(10,331)
Retirement of 2008 A Bond Series	-	-	-	(93,625)
Proceeds from 2013 bond private placement	-	-	-	104,263
Net cash provided by (used in) financing activities	(4)	740	736	608
Net increase (decrease) in cash	(482)	23,916	23,434	(1,272)
Cash and cash equivalents, beginning of year	1,279	3,921	5,200	6,472
Cash and cash equivalents, end of year	\$ 797	\$ 27,837	\$ 28,634	\$ 5,200

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF CASH FLOWS (CONTINUED)
For the Year Ended October 31, 2014
(With Summarized Comparative Information for the Year Ended October 31, 2013)
(In Thousands)

	October 31, 2014		October 31, 2013	
	Acacia Creek - Union City	Masonic Homes	Total	Comparative Total Only
Reconciliation of increase (decrease) in net assets to net cash provided by (used in) operating activities	\$ (3,745)	\$ 25,666	\$ 21,921	\$ 89,483
Change in net assets	2,962	5,382	8,344	8,574
Adjustment to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities	-	(2,795)	(2,795)	(2,400)
Depreciation and amortization	-	-	-	(1)
Amortization of deferred revenue	(608)	(37,919)	(38,527)	(98,272)
Gain on disposal of property and equipment	-	-	-	(7,369)
Realized and unrealized gain on investments	-	(539)	(539)	(556)
Unrealized loss on a cash flow hedge	-	(6,000)	(6,000)	(4,898)
Contributions and income received restricted for investment in perpetuity	-	-	-	1,277
Change in unfunded pension obligation	-	-	-	-
Write off of 2008 A Bond Series issuance cost	-	-	-	-
Changes in assets and liabilities	13	(673)	(660)	(158)
Receivables, net	(40)	(573)	(613)	(2,276)
Prepaid expenses and other assets	598	(884)	(286)	(1,458)
Related entities receivable and payable	-	3,869	3,869	(3,350)
Assets held for sale	-	(125)	(125)	(794)
Accounts held in trust	(191)	(3,538)	(3,729)	858
Accounts payable and accrued liabilities	-	(292)	(292)	165
Accrued payroll and benefits payable	6,346	123	6,469	14,579
Liability to beneficiaries of split interest agreements	-	-	-	-
Deferred revenue from assigned assets, net	-	-	-	-
Net cash provided by (used in) operating activities	\$ 5,335	\$ (18,298)	\$ (12,963)	\$ (6,596)

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE OF PROGRAM EXPENSES
For the Years Ended October 31, 2014 and 2013
(In Thousands)

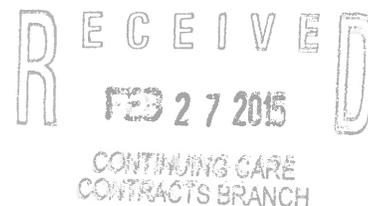
	<u>2014</u>	<u>2013</u>
	(In Thousands)	(In Thousands)
Salaries and wages	\$ 15,859	\$ 14,509
Resident care and services	6,344	5,603
Depreciation	5,785	5,558
Employee Benefits	5,382	5,446
Grants	3,954	3,484
Insurance	1,367	1,143
Professional fees	1,147	626
Scholarship	769	164
Facilities and maintenance services	666	619
Operating services	617	636
Employment expense and education	279	464
Taxes	232	243
Shared service allocation	193	158
Travel expenses	188	232
Utilities	177	1,277
Miscellaneous and other expenses	151	95
Operating Supplies	144	123
Vehicle expense	136	87
Facility expenses	112	125
Dues and licenses	101	118
Maintenance supplies	100	91
Masonic Homes total program expenses	<u>43,703</u>	<u>40,801</u>
Acacia Creek operation	<u>7,607</u>	<u>7,112</u>
Total program operations	<u>\$ 51,310</u>	<u>\$ 47,913</u>

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE OF SUPPORTING SERVICES EXPENSES
For the Years Ended October 31, 2014 and 2013
(In Thousands)

	<u>2014</u>	<u>2013</u>
	(In Thousands)	(In Thousands)
Shared service allocation	\$ 4,902	\$ 4,658
Fund raising and development - shared service allocation	<u>892</u>	<u>856</u>
Masonic Homes general and administrative expenses	5,794	5,514
Acacia Creek general, administrative and marketing expenses	<u>1,647</u>	<u>1,757</u>
Total general, administrative and marketing expenses	<u>\$ 7,441</u>	<u>\$ 7,271</u>

CONTENTS

	PAGE
REPORT OF INDEPENDENT AUDITORS	1
 CONTINUING CARE LIQUID RESERVE SCHEDULES	
Form 5-1, Long-Term Debt Incurred in Prior Fiscal Year	3
Form 5-2, Long-Term Debt Incurred During Fiscal Year	4
Form 5-3, Calculation of Long-Term Debt Reserve Amount.....	5
Form 5-4, Calculation of Net Operating Expenses – Union City.....	6
Form 5-4, Calculation of Net Operating Expenses - Covina.....	7
Form 5-5, Annual Reserve Certification	8
 SUPPLEMENTARY SCHEDULES	
Form 5-4 reconciliation	9
Schedule of expenses	10
Additional disclosures.....	11
Disclosure statement	12
Notes to reserve reports.....	13



REPORT OF INDEPENDENT AUDITOR

To the Board of Trustees
Masonic Homes of California (Nonprofit Corporation)

Report on the Financial Statements

We have audited the accompanying financial statements of Masonic Homes of California – Union City and Masonic Homes of California – Covina, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended October 31, 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of Masonic Homes of California as of and for the year ended October 31, 2014, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying supplementary schedules of Form 5-4 reconciliation, Schedule of Expenses, Additional disclosures, Disclosure statement, and Notes to reserve reports, presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of Masonic Homes of California and for filing with the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.



San Francisco, California
February 20, 2015

MASONIC HOMES OF CALIFORNIA
FORM 5-1, LONG-TERM DEBT INCURRED IN PRIOR FISCAL YEAR
INCLUDING BALLOON DEBT

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
TOTAL:					\$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: Masonic Homes of California

MASONIC HOMES OF CALIFORNIA
FORM 5-2, LONG-TERM DEBT INCURRED DURING FISCAL YEAR
INCLUDING BALLOON DEBT

	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
TOTAL:		\$0	\$0	0	\$0

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

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

PROVIDER: Masonic Homes of California

MASONIC HOMES OF CALIFORNIA
FORM 5-3, CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

FORM 5-3 CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT		TOTAL
Line		
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)	
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$0

PROVIDER: Masonic Homes of California

MASONIC HOMES OF CALIFORNIA
 FORM 5-4, CALCULATION OF NET OPERATING EXPENSES - UNION CITY

FORM 5-4 CALCULATION OF NET OPERATING EXPENSES		
Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$36,473,788
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	\$4,102,139
	d. Amortization	\$0
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$1,144,625
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$5,246,764
4	Net Operating Expenses	\$31,227,024
5	Divide Line 4 by 365 and enter the result.	\$85,553
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$6,416,512
PROVIDER:	Masonic Homes of California	
COMMUNITY:	Union City	

MASONIC HOMES OF CALIFORNIA
FORM 5-4, CALCULATION OF NET OPERATING EXPENSES - COVINA

	FORM 5-4 CALCULATION OF NET OPERATING EXPENSES	Amounts	TOTAL
1	Total operating expenses from financial statements		\$8,563,201
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	\$1,280,150	
	d. Amortization	\$0	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$96,677	
	f. Extraordinary expenses approved by the Department	\$0	
3	Total Deductions		\$1,376,827
4	Net Operating Expenses		\$7,186,374
5	Divide Line 4 by 365 and enter the result.		\$19,689
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$1,476,652
	PROVIDER: <u>Masonic Homes of California</u>		
	COMMUNITY: <u>Covina</u>		

MASONIC HOMES OF CALIFORNIA
FORM 5-5, ANNUAL RESERVE CERTIFICATION

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Masonic Homes of California
Fiscal Year Ended: 10/31/2014

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for
the period ended 10/31/2014 and are in compliance with those requirements.

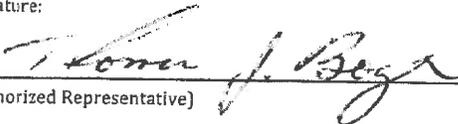
Our liquid reserve requirements, computed using the audited financial statements for the fiscal year
are as follows:

	Amount
[1] Debt Service Reserve Amount	\$0
[2] Operating Expense Reserve Amount	\$7,893,164
[3] Total Liquid Reserve Amount:	\$7,893,164

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

Qualifying Asset Description	Amount (market value at end of quarter)	
	Debt Service Reserve	Operating Reserve
[4] Cash and Cash Equivalents	\$0	\$27,837,072
[5] Investment Securities	\$0	\$674,894,602
[6] Equity Securities	\$0	\$0
[7] Unused/Available Lines of Credit	\$0	\$0
[8] Unused/Available Letters of Credit	\$0	\$0
[9] Debt Service Reserve	\$0	(not applicable)
[10] Other:		
(describe qualifying asset)		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	\$0 [12]	\$702,731,674
Reserve Obligation Amount: [13]	\$0 [14]	\$7,893,164
Surplus/(Deficiency): [15]	\$0 [16]	\$694,838,510

Signature:



(Authorized Representative)

Date: 7/20/15

Chief Financial Officer

(Title)

SUPPLEMENTARY SCHEDULES

**MASONIC HOMES OF CALIFORNIA
FORM 5-4, RECONCILIATION**

**MASONIC HOMES OF CALIFORNIA
CALCULATION OF NET OPERATING EXPENSES
RECONCILIATION TO CASH FLOW
AS OF OCTOBER 31, 2014**

	<u>MHC Total</u>	<u>Total</u>
Form 5-4 to Cash Flow		
Revenues received during the fiscal year for services to residents who did not have continuing care contracts		
Form 5-4, line 2e (Union City)	\$ 1,144,625	\$ 1,144,625
Form 5-4, line 2e (Covina)	96,677	96,677
Medical Fees Reimbursed	6,689,648	6,689,648
Termination Income	1,842,229	1,842,229
Resident Services and Other	356,664	356,664
Miscellaneous Income	19,105	19,105
Royalty Income	357,096	357,096
Royalty and Other Income from Statement of Changes in Financial Position	<u>\$ 10,506,044</u>	<u>\$ 10,506,044</u>
Decrease in Asset Held in Trust	\$ (124,776)	\$ (124,776)
Change in Value of Split Interest Agreements	657,924	657,924
Liability to Beneficiaries of Split-Interest Agreements	(291,882)	(291,882)
Gain On Disposal of Fixed Assets	-	-
Income Recognized on Deferred Revenue	(1,842,229)	(1,842,229)
Reconciliation to Royalty and Other Income from Statement of Cash Flows	<u>\$ 8,905,081</u>	<u>\$ 8,905,081</u>
Revenues received during the fiscal year for services to residents who did not have continuing care contracts		
Form 5-4, line 2e (Union City)	\$ 1,144,625	\$ 1,144,625
Form 5-4, line 2e (Covina)	\$ 96,677	\$ 96,677

**MASONIC HOMES OF CALIFORNIA
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2014**

	<u>Union City Total</u>	<u>Covina Total</u>	<u>Central Office Total</u>	<u>Total</u>
EXPENSES:				
Salaries and wages	\$ 13,329,418	\$ 2,529,947	\$ -	\$ 15,859,365
Employee benefits	4,925,535	859,644	-	5,785,179
Employment expense and education	140,505	47,211	-	187,716
Professional fees	632,633	136,001	-	768,634
Supplies	3,254,590	588,586	-	3,843,176
Operating services	926,132	360,471	-	1,286,603
Dues and licenses	94,504	17,738	-	112,242
Insurance	885,627	261,354	-	1,146,981
Taxes	204,547	27,899	-	232,446
Miscellaneous expense	773,636	282,398	-	1,056,034
Travel expenses	211,698	66,860	-	278,558
Utilities	968,733	398,671	-	1,367,404
Vehicle expense	73,139	27,033	-	100,172
Medical services	598,717	93,256	-	691,973
Resident social services	107,889	49,401	-	157,290
Other resident care services	556,939	138,606	-	695,545
Resident allowance/gifts	53,121	19,800	-	72,921
Medical contracts	23,000	-	-	23,000
Project and capital expense	14,378	4,297	-	18,675
Corporate services	4,596,908	1,373,878	-	5,970,786
Total operating expense	32,371,649	7,283,051	-	39,654,700
Depreciation (Form 5-4 line 2-c)	4,102,139	1,280,150	-	5,382,289
Nonresident assistance	-	-	3,953,899	3,953,899
Grand Total (Form 5-4 line 1)	\$ 36,473,788	\$ 8,563,201	\$ 3,953,899	\$ 48,990,888
Reconciliation to audited FS: add: Scholarships (subtracted for purpose of CCRC reporting)				\$ 193,169 \$ 49,184,057

Administration expense is allocated to the two programs based on resident census.

**MASONIC HOMES OF CALIFORNIA
ADDITIONAL DISCLOSURES**

Masonic Homes of California

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

Operating Reserves - Form 5-5, line 3	\$	7,893,164
The following identified reserves at BNY Mellon		
Earthquake Reserve Fund	\$	9,789,130
Capital Reserve Fund (Future capital expenditures)	\$	24,953,474
Strategic Reserve (Future Board strategic initiatives)	\$	6,620,640
UC census as of 10.31.14		263
COV census as of 10.31.14		76
UC net operating expenses	\$	31,227,024
COV net operating expenses	\$	7,186,374
Per capita costs of operation for UC	\$	118,734
Per capita costs of operation for COV	\$	94,558

**MASONIC HOMES OF CALIFORNIA
DISCLOSURE STATEMENT**

	October 31, 2011	October 31, 2012	October 31, 2013	October 31, 2014
Income from on-going operations:				
Pension income	\$ 4,349,264	\$ 4,527,485	4,595,303	5,028,259
Fee for service	765,401	763,231	902,350	1,241,302
Other income	5,805,685	5,396,360	5,553,254	8,907,646
Total income from on-going operations	\$ 10,920,350	\$ 10,687,076	\$ 11,050,907	\$ 15,177,207
Less operating expenses: excluding depreciation	\$ (43,627,395)	\$ (44,946,728)	\$ (46,151,681)	\$ (48,990,888)
	5,440,445	5,502,601	5,557,851	5,382,289
Net income from operations	(38,186,950)	(39,444,127)	(40,593,830)	(43,608,599)
	(27,266,600)	(28,757,051)	(29,542,923)	(28,431,392)
Plus contributions:				
Unrestricted	50,700	47,765	45,005	42,475
Temp restricted	491,851	797,365	518,061	538,750
Total contributions	542,551	845,130	563,066	581,225
Plus nonoperating income:				
Investment income, unrestricted	12,374,413	11,465,001	15,695,710	17,408,385
Gain/loss on sale of investments unrest	37,035,525	(6,914,937)	29,125,903	38,301,455
Royalty income	353,536	305,131	383,152	357,096
Temp rest invest income	167,811	157,552	190,715	253,624
Temp rest realized gains and losses	273,254	(78,134)	154,117	350,852
Total nonoperating income	50,204,539	4,934,613	45,549,597	56,671,412
Net income before fees, depreciation, and amortization	\$ 23,480,490	\$ (22,977,308)	\$ 16,569,740	\$ 28,821,245
Net cash flow from entrance fees	\$ 2,232,445	\$ 2,064,797	\$ 1,973,461	\$ 2,238,606
Operating Ratio:				
*Total operating expense - depreciation and amortization	\$ 38,186,950	\$ 39,444,127	\$ 40,593,830	\$ 43,608,599
Total operating rev	10,920,350	10,687,076	11,050,907	15,177,207
Amortization of def rev	2,232,445	2,064,797	1,973,461	2,238,606
	B 13,152,795	12,751,873	13,024,368	17,415,813
Operating Ratio	A / B 2.90	3.09	3.12	2.50
Daily cash on hand:				
Unrestricted current cash	\$ 9,053,203	\$ 6,167,985	\$ 3,920,797	\$ 27,837,072
Unrestricted current investment	543,998,628	595,195,197	681,661,018	674,894,602
Total	C \$ 553,051,831	\$ 601,363,182	\$ 685,581,815	\$ 702,731,674
Operating expenses	\$ 38,186,950	\$ 39,444,127	\$ 40,593,830	\$ 43,608,599
Divided by 365	\$ 104,622	\$ 108,066	\$ 111,216	\$ 119,476
Daily cash on hand:	C/D \$ 5,286	\$ 5,565	\$ 6,164	\$ 5,882

**MASONIC HOMES OF CALIFORNIA
NOTES TO RESERVE REPORTS**

NOTE 1 - BASIS OF ACCOUNTING

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	Market Rate based on varying features of units	Market Rate based on varying features of units	Market Rate based on varying features of units
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4%	4%	4%

Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: 11/01/2014
 (If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

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

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

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

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

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

PROVIDER NAME: Masonic Homes of California
 COMMUNITY NAME: Union City and Covina

**MASONIC HOMES OF CALIFORNIA
FORM 7-1**

ADJUSTMENTS TO MONTHLY FEES

The only monthly fees reported by Masonic Homes of California are the private pension and Social Security income (if any) of each resident. The only adjustment to the monthly fees would be the result of increases of those pension and Social Security payments by the third party payer, and not the result of any increase charged by Masonic Homes of California. Therefore we cannot present a calculation explaining any increase in the amount of fees we report.

For a small population (approx 4%) of residents a Fee For Service contract is established. This type of contract is an accommodation to the residents who do not wish to turn over their assets to MHC and the structure of their fees should reflect approximately market rate.

The 2014 increase in the monthly service fees of 4% was implemented to adjust for the increase in cost of the services provided to this group of residents. Notice of the fee increase was done one-on-one with each resident affected.

Continuing Care Retirement Community

Date Prepared:

2/20/2015

RECEIVED
FEB 27 2015

CONTINUING CARE
CONTRACTS BRANCH

Disclosure Statement

General Information

FACILITY NAME: **Masonic Homes of California**
 ADDRESS: **34400 Mission Boulevard, Union City, CA**
 PROVIDER NAME:
 RELATED FACILITIES:
 YEAR OPENED: **1898** NO. OF ACRES: **105**
 MILES TO SHOPPING CTR:
 ZIP CODE: **94587** PHONE: **(510)471-3434**
 FACILITY OPERATOR:
 RELIGIOUS AFFILIATION: **Non-demoninational**
 MULTI-STORY: **__** SINGLE STORY: **__** BOTH: **__ X**
 MILES TO HOSPITAL:

NUMBER OF UNITS: INDEPENDENT LIVING HEALTH CARE
 APARTMENTS - STUDIO **110** ASSISTED LIVING **115**
 APARTMENTS - 1 BDRM **65** SKILLED NURSING **125**
 APARTMENTS - 2 BDRM _____ SPECIAL CARE _____
 COTTAGES/HOUSES _____ DESCRIBE SPECIAL CARE: _____
 % OCCUPANCY AT YEAR END **100%**

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N BY:
 FORM OF CONTRACT: LIFE CARE CONTINUING CARE FEE FOR SERVICE
 ASSIGN ASSETS EQUITY ENTRY FEE RENTAL

REFUND PROVISIONS (Check all that apply): 90% 75% 50% PRORATED TO 0%
 RANGE OF ENTRANCE FEES: \$ 36,149 TO \$ 164,847 LONG-TERM CARE INSURANCE REQUIRED? Yes No

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: **Assignment of Assets Option Only**
 ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: OTHER: Mason/Widow/Mother

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	X	X	HOUSEKEEPING TIMES/MONTH	4	
BILLIARD ROOM	X	X	NUMBER OF MEALS/DAY	3 - 7	
BOWLING GREEN			SPECIAL DIETS AVAILABLE	Yes	
CARD ROOMS	X	X	24-HOUR EMERGENCY RESPONSE	X	X
CHAPEL	X	X	ACTIVITIES PROGRAM	X	X
COFFEE SHOP	X	X	ALL UTILITIES EXCEPT PHONE	X	X
CRAFT ROOMS	X	X	APARTMENT MAINTENANCE	X	X
EXERCISE ROOM	X	X	CABLE TV	X	X
GOLF COURSE ACCESS			LINENS FURNISHED	X	X
LIBRARY	X	X	LINENS LAUNDERED	X	X
PUTTING GREEN			MEDICATION MANAGEMENT	X	X
SHUFFLEBOARD			NURSING/WELLNESS CLINIC	X	X
SPA	X	X	PERSONAL NURSING/HOME CARE	X	X
SWIMMING POOL-INDOOR	X	X	TRANSPORTATION-PERSONAL	X	X
SWIMMING POOL-OUTDOOR			TRANSPORTATION-PREARRANGED	X	X
TENNIS COURT			OTHER _____		
WORKSHOP	X	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.

Continuing Care Retirement Community

Date Prepared: 2/20/2015

RECEIVED
FEB 27 2015

Disclosure Statement

General Information

CONTINUING CARE
CONTRACTS BRANCH

FACILITY NAME: **Masonic Homes of California**
 ADDRESS: 1650 E. Old Badillo St., Covina, CA
 PROVIDER NAME:
 RELATED FACILITIES:
 YEAR OPENED: 1990 NO. OF ACRES:
 MILES TO SHOPPING CTR:
 ZIP CODE: 91724 PHONE: (626)251-2200
 FACILITY OPERATOR:
 RELIGIOUS AFFILIATION: Non-demoninational
 MULTI-STORY: SINGLE STORY: BOTH: X
 MILES TO HOSPITAL:

NUMBER OF UNITS: INDEPENDENT LIVING HEALTH CARE
 APARTMENTS - STUDIO ASSISTED LIVING 38
 APARTMENTS - 1 BDRM 56 SKILLED NURSING
 APARTMENTS - 2 BDRM SPECIAL CARE
 COTTAGES/HOUSES DESCRIBE SPECIAL CARE:
 % OCCUPANCY AT YEAR END 100%

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N BY:
 FORM OF CONTRACT: LIFE CARE CONTINUING CARE FEE FOR SERVICE
 ASSIGN ASSETS EQUITY ENTRY FEE RENTAL
 REFUND PROVISIONS (Check all that apply): 90% 75% 50% PRORATED TO 0%
 RANGE OF ENTRANCE FEES: \$ 65,021 to \$164,847 LONG-TERM CARE INSURANCE REQUIRED? Yes No

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Assignment of Assets Option Only

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: OTHER: Mason/Widow/Mother

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	X	X	HOUSEKEEPING TIMES/MONTH	4	
BILLIARD ROOM	X	X	NUMBER OF MEALS/DAY	3	
BOWLING GREEN			SPECIAL DIETS AVAILABLE	Yes	
CARD ROOMS	X	X	24-HOUR EMERGENCY RESPONSE	X	
CHAPEL			ACTIVITIES PROGRAM	X	
COFFEE SHOP			ALL UTILITIES EXCEPT PHONE	X	
CRAFT ROOMS	X	X	APARTMENT MAINTENANCE	X	
EXERCISE ROOM	X	X	CABLE TV	X	
GOLF COURSE ACCESS			LINENS FURNISHED	X	
LIBRARY	X	X	LINENS LAUNDERED	X	X
PUTTING GREEN	X	X	MEDICATION MANAGEMENT	X	X
SHUFFLEBOARD	X	X	NURSING/WELLNESS CLINIC	X	
SPA	X	X	PERSONAL NURSING/HOME CARE	X	
SWIMMING POOL-INDOOR			TRANSPORTATION-PERSONAL	X	X
SWIMMING POOL-OUTDOOR	X	X	TRANSPORTATION-PREARRANGED	X	X
TENNIS COURT			OTHER _____		
WORKSHOP	X	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: Masonic Homes of California

	2012	2013	2014
INCOME FROM ONGOING OPERATIONS			
OPERATING INCOME	<u>\$10,687,076</u>	<u>\$11,050,907</u>	<u>\$15,177,207</u>
(excluding amortization of entrance fee income)			
LESS OPERATING EXPENSES	<u>\$39,444,127</u>	<u>\$40,593,830</u>	<u>\$43,608,599</u>
(excluding depreciation, amortization, & interest)			
NET INCOME FROM OPERATIONS	<u>-\$28,757,051</u>	<u>-\$29,542,923</u>	<u>-\$28,431,392</u>
LESS INTEREST EXPENSE			
PLUS CONTRIBUTIONS	<u>\$845,130</u>	<u>\$563,066</u>	<u>\$581,225</u>
PLUS NON-OPERATING INCOME (EXPENSES)	<u>\$4,934,613</u>	<u>\$45,549,597</u>	<u>\$56,671,412</u>
(excluding extraordinary items)			
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>-\$22,977,308</u>	<u>\$16,569,740</u>	<u>\$28,821,245</u>
NET CASH FLOW FROM ENTRANCE FEES)	<u>\$2,064,797</u>	<u>\$1,973,461</u>	<u>\$2,238,606</u>
(Total Deposits Less Refunds)			

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	AMORTIZATION PERIOD	AMORTIZATION PERIOD	AMORTIZATION PERIOD
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

FINANCIAL RATIOS (see next page for ratio formulas)

	2012	2013	2014
DEBT TO ASSET RATIO	_____	_____	_____
OPERATING RATIO	<u>3.09</u>	<u>3.12</u>	<u>2.50</u>
DEBT SERVICE COVERAGE RATIO	_____	_____	_____
DAYS CASH-ON-HAND RATIO	<u>\$5,565</u>	<u>\$6,164</u>	<u>\$5,882</u>

**HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE**

	2012	2013	2014
STUDIO			
ONE BEDROOM			
TWO BEDROOM			
COTTAGE/HOUSE			
ASSISTED LIVING			
SKILLED NURSING			
SPECIAL CARE			

COMMENTS FROM PROVIDER