

FISCAL YEAR ENDED:

12/31/2014

ANNUAL REPORT CHECKLIST

PROVIDER(S): O'Connor Woods

CCRC(S): O'Connor Woods

PROVIDER CONTACT PERSON: Scot Sinclair

TELEPHONE NO.: (209) 956-3450

EMAIL: scot.sinclair@oconnorwoods.org

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

Annual Report Checklist.

Annual Provider Fee in the amount of: \$ 456.94

If applicable, late fee in the amount of: \$ _____

Certification by the provider's **Chief Executive Officer** that:

The reports are correct to the best of his/her knowledge.

Each continuing care contract form in use or offered to new residents has been approved by the Department.

The provider is maintaining the required *liquid* reserves and, *when applicable*, the required refund reserve

Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.

Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.

Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).

"Continuing Care Retirement Community Disclosure Statement" for **each** community.

Form 7-1, "Report on CCRC Monthly Service Fees" for **each** community.

NA Form 9-1, "Calculation of Refund Reserve Amount" *if applicable*.

Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	<u>0</u>
[2]	Number at end of fiscal year	<u>22</u>
[3]	Total Lines 1 and 2	<u>22</u>
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	<div style="border: 1px solid black; padding: 2px; display: inline-block;">11</div>
All Residents		
[6]	Number at beginning of fiscal year	<u>363</u>
[7]	Number at end of fiscal year	<u>384</u>
[8]	Total Lines 6 and 7	<u>747.00</u>
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	<div style="border: 1px solid black; padding: 2px; display: inline-block;">373</div>
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	<div style="border: 1px solid black; padding: 2px; display: inline-block;">0.02</div>

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service-interest only) <u>28,192,879</u>
[a]	Depreciation <u>2,943,325</u>
[b]	Debt Service (Interest Only) <u>2,402,292</u>
[2]	Subtotal (add Line 1a and 1b) <u>5,345,617</u>
[3]	Subtract Line 2 from Line 1 and enter result. <u>22,847,262</u>
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11) <u>0.02</u>
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) <u>456,945</u>
[6]	Total Amount Due (multiply Line 5 by .001) <u>456.94</u>

PROVIDER: O'Connor Woods
 COMMUNITY: O'CONNOR WOODS



April 29, 2015

State of California

Department of Social Services

744 P Street M.S. 10-90

Sacramento CA 95814

To Whom It May Concern:

My name is Scot Sinclair and I have been the Executive Director of O'Connor Woods since inception in June 1990.

I hereby certify that the annual reports are correct to the best of my knowledge. O'Connor Woods is maintaining any and all required liquid reserves and refund reserves. The CCRC contracts being offered are the ones approved by the Department of Social Services, Continuing Care Contracts Branch.

In addition to the Annual Report, we have included a certificate of our fidelity bond insurance, the 2013 Audit and our auditor's opinion letter on the audited reserves, the CCRC Disclosure Statement, the CCRC Monthly Service Fee report, Resident Population report. A check in the amount of \$456.94 has been ordered through our accounting department.

If you have any questions, you may contact me at 209.956.3450.

Sincerely,

Scot Sinclair

Executive Director

www.oconnorwoods.org

O'CONNOR WOODS
Residential Living
3400 Wagner Heights Rd.
Stockton, CA 95209
(209) 956-3400
(209) 952-6201 FAX
COA# 230

GARDEN OAKS
Assisted Living
3334 Wagner Heights Rd.
Stockton, CA 95209
(209) 956-3401
(209) 952-3494 FAX
License# 390314809

OAK CREEK
Assisted Living
3550 Wagner Heights Rd.
Stockton, CA 95209
(209) 956-3434
(209) 952-3436 FAX
License# 390314809

LAUREL POINTE
Memory Care
3550 Wagner Heights Rd.
Stockton, CA 95209
(209) 956-3402
(209) 952-3436 FAX
License# 390314809

A DAY AWAY
Social Engagement Program
3550 Wagner Heights Rd.
Stockton, CA 95209
(209) 476-4037
(209) 952-3436 FAX
License# 397005472

MEADOWOOD
Health & Rehabilitation
3110 Wagner Heights Rd.
Stockton, CA 95209
(209) 956-3444
(209) 952-3454 FAX
License# 100000631



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
12/9/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Lewis & Assoc. Ins. Brokers, Inc. 700 W. Center Avenue Visalia, CA 93291	CONTACT NAME: Julia Parsons, CIC, CPIW, CISR	
	PHONE (A/C, No, Ext): (559) 733-7272	FAX (A/C, No): (559) 733-5612
E-MAIL ADDRESS:		
INSURER(S) AFFORDING COVERAGE		NAIC #
INSURER A: Health Care Industry Liability Reciprocal Insurance Company, RRG	11832	
INSURER B: GuideOne Insurance	15032	
INSURER C: Ironshore Specialty Ins. Co	25445	
INSURER D:		
INSURER E:		
INSURER F:		

INSURED

O'Connor Woods Housing Corp.
 3400 Wagner Heights Rd.
 Stockton, CA 95209-4885

COVERAGES **CERTIFICATE NUMBER:** **REVISION NUMBER:**

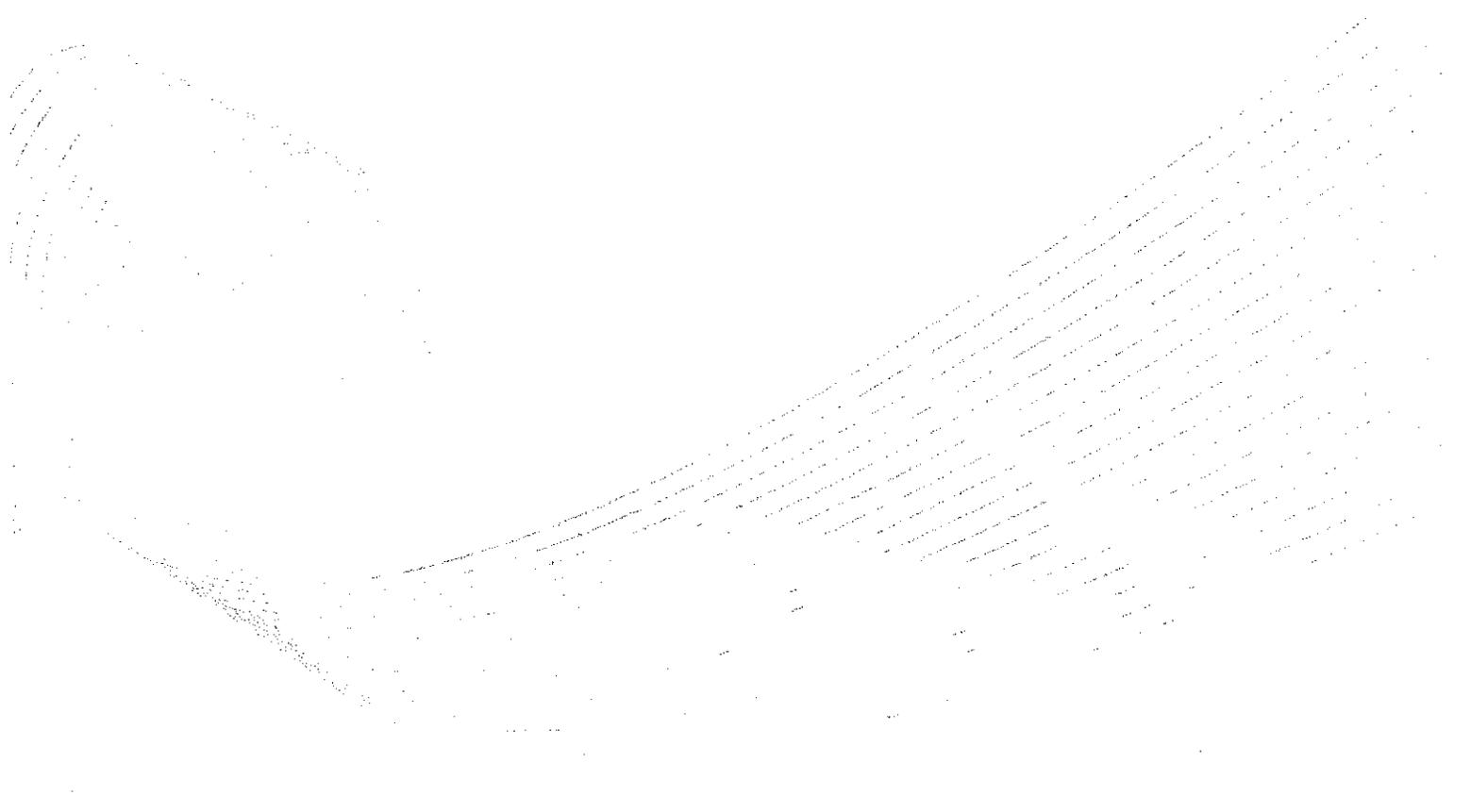
THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY			HCA-CA02-0017-CM-07	12/01/2014	12/01/2015	EACH OCCURRENCE
	<input checked="" type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence)
	GEN'L AGGREGATE LIMIT APPLIES PER:						MED EXP (Any one person)
	<input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC						\$ 5,000
	OTHER:						PERSONAL & ADV INJURY
							\$ 1,000,000
							GENERAL AGGREGATE
							\$ 3,000,000
							PRODUCTS - COMP/OP AGG
							\$ Included
							PROFESSIONAL LI
							\$ 1,000,000
B	AUTOMOBILE LIABILITY			1766243	12/01/2014	12/01/2015	COMBINED SINGLE LIMIT (Ea accident)
	<input checked="" type="checkbox"/> ANY AUTO						BODILY INJURY (Per person)
	<input type="checkbox"/> ALL OWNED AUTOS						BODILY INJURY (Per accident)
	<input checked="" type="checkbox"/> HIRED AUTOS						\$
							PROPERTY DAMAGE (Per accident)
							\$
C	<input checked="" type="checkbox"/> UMBRELLA LIAB			002221400	12/01/2014	12/01/2015	EACH OCCURRENCE
	<input type="checkbox"/> EXCESS LIAB						AGGREGATE
	<input type="checkbox"/> OCCUR						\$
	<input checked="" type="checkbox"/> CLAIMS-MADE						\$
	DED						PER STATUTE
	RETENTION \$						OTHER
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY						E.L. EACH ACCIDENT
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)		Y/N	N/A			\$
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE
							\$
							E.L. DISEASE - POLICY LIMIT
							\$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

All operations of the insured

CERTIFICATE HOLDER Verification of Insurance	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE J. Parsons



Report of Independent Auditors and
Financial Statements

**O'Connor Woods Housing
Corporation**

December 31, 2014 and 2013

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
O'Connor Woods Housing Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of O'Connor Woods Housing Corporation, which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence that 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 financial position of O'Connor Woods Housing Corporation as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



San Francisco, California
April 23, 2015

FINANCIAL STATEMENTS

O'CONNOR WOODS HOUSING CORPORATION
BALANCE SHEETS
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,546,275	\$ 3,006,438
Investments	10,104,988	7,721,021
Tenant and patient receivables, net of allowance for doubtful accounts of \$60,000 and \$234,052 in 2014 and 2013, respectively	1,822,091	1,823,568
Other receivables	444,210	34,000
Prepaid expenses	528,612	219,772
Assets limited as to use, required for current liabilities	<u>2,029,250</u>	<u>1,662,651</u>
Total current assets	17,475,426	14,467,450
ASSETS LIMITED AS TO USE , net of current portion	6,584,958	11,772,202
PROPERTY AND EQUIPMENT , net	53,649,008	49,291,840
OTHER ASSETS		
Investments - board-designated resident assistance fund	1,231,117	1,178,149
Deferred financing costs, net of accumulated amortization	2,831,787	3,073,188
Donor receivables	12,419	272,179
Donor restricted cash and investments	781,555	752,711
Deposits	<u>114,887</u>	<u>109,717</u>
Total other assets	<u>4,971,765</u>	<u>5,385,944</u>
Total assets	<u>\$ 82,681,157</u>	<u>\$ 80,917,436</u>

See accompanying notes.

O'CONNOR WOODS HOUSING CORPORATION
BALANCE SHEETS (CONTINUED)
December 31, 2014 and 2013

	2014	2013
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 3,321,738	\$ 2,266,622
Accrued payroll and payroll related expenses	1,055,644	1,186,713
Accrued interest expense	1,179,250	1,307,651
Current portion of long-term debt	864,520	367,152
Deferred entrance fees	123,392	-
Prepaid rent and tenant deposits	939,079	1,059,055
Total current liabilities	7,483,623	6,187,193
NON-CURRENT LIABILITIES		
Refundable CCRC contracts	1,131,030	-
Other long-term liabilities	1,020,312	1,020,312
Long-term debt, net of current portion	50,912,271	52,029,869
Total noncurrent liabilities	53,063,613	53,050,181
Total liabilities	60,547,236	59,237,374
NET ASSETS		
Unrestricted	20,109,121	19,478,030
Unrestricted – board-designated resident assistance fund	1,231,117	1,178,149
Temporarily restricted	234,030	485,620
Permanently restricted	559,653	538,263
Total net assets	22,133,921	21,680,062
Total liabilities and net assets	\$ 82,681,157	\$ 80,917,436

See accompanying notes.

O'CONNOR WOODS HOUSING CORPORATION
STATEMENTS OF OPERATIONS
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUE AND OTHER SUPPORT		
Rental revenue	\$ 13,256,318	\$ 12,425,474
Net patient service revenue	13,098,699	12,371,908
Other revenue	1,766,356	1,578,702
Contributions	109,065	1,678,098
Net assets released from restrictions for operations	265,942	40,014
Total revenue and other support	<u>28,496,380</u>	<u>28,094,196</u>
EXPENSES		
Salaries and benefits	16,000,172	15,371,334
Depreciation and amortization	2,943,325	2,429,271
Purchased services	2,609,210	2,035,763
Interest	2,402,292	2,369,559
Medical and other supplies	2,370,891	2,263,723
Utilities	1,117,242	1,137,174
Insurance	369,010	346,733
Other operating expenses	380,737	577,060
Total expenses	<u>28,192,879</u>	<u>26,530,617</u>
Operating income	303,501	1,563,579
NONOPERATING REVENUE (EXPENSES):		
Investment income	380,558	1,144,087
Loss from early retirement of debt	-	(3,077,523)
Excess (deficiency) of revenue and other support over expenses	<u>\$ 684,059</u>	<u>\$ (369,857)</u>

See accompanying notes.

O'CONNOR WOODS HOUSING CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
Years Ended December 31, 2014 and 2013

	2014	2013
UNRESTRICTED NET ASSETS		
Excess (deficiency) of revenue and other support over expenses	\$ 684,059	\$ (369,857)
Change in unrestricted net assets	684,059	(369,857)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	11,188	166,790
Investment income	3,164	7,841
Net assets released from restrictions for operations	(265,942)	(40,014)
Change in temporarily restricted net assets	(251,590)	134,617
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	21,390	14,951
Change in permanently restricted net assets	21,390	14,951
CHANGE IN NET ASSETS	453,859	(220,289)
NET ASSETS, beginning of year	21,680,062	21,900,351
NET ASSETS, end of year	\$ 22,133,921	\$ 21,680,062

O'CONNOR WOODS HOUSING CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from rental revenue	\$ 14,423,612	\$ 12,398,630
Cash receipts from patients	13,062,158	12,295,442
Cash receipts from other revenue	1,963,725	4,032,032
Cash payments for salaries and benefits	(16,131,241)	(15,173,654)
Cash payments for other operating expenses	(6,634,869)	(3,658,208)
Cash payments for interest	(2,358,500)	(2,698,573)
Net cash provided by operating activities	<u>4,324,885</u>	<u>7,195,669</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(8,276,170)	(14,801,177)
Proceeds from sale of investments	10,709,059	5,035,751
Purchase of property and equipment	(6,821,604)	(7,446,265)
Net cash used in investing activities	<u>(4,388,715)</u>	<u>(17,211,691)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of debt	-	52,495,809
Principal payments on long-term debt	(355,000)	(38,514,291)
Payments on capital lease	(12,489)	(8,192)
Cash paid for issuance costs	-	(3,212,272)
Change in donor restricted cash and investments	(28,844)	(66,369)
Net cash (used in) provided by financing activities	<u>(396,333)</u>	<u>10,694,685</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(460,163)</u>	<u>678,663</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,006,438</u>	<u>2,327,775</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,546,275</u>	<u>\$ 3,006,438</u>
SUPPLEMENTAL DISCLOSURES OF CASH-FLOW INFORMATION		
Noncash investing activity during the year for		
Property, plant, and equipment acquired through accounts payable	<u>\$ 490,229</u>	<u>\$ -</u>

See accompanying notes.

O'CONNOR WOODS HOUSING CORPORATION
STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2014 and 2013

	2014	2013
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED		
BY OPERATING ACTIVITIES:		
Change in net assets	\$ 453,859	\$ (220,289)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,943,325	2,429,271
Loss from early retirement of debt	-	3,077,523
Net realized and unrealized gain on investments	(177,546)	(543,639)
Changes in assets and liabilities:		
Tenant and patient receivables	1,477	(139,464)
Other receivables	138,580	(14,798)
Prepaid expenses	(308,840)	44,434
Deposits	(5,170)	-
Accounts payable and accrued expenses	564,887	1,584,782
Accrued payroll and payroll related expenses	(131,069)	197,680
Accrued interest expense	(34)	744,015
Prepaid rent and tenant deposits	(119,976)	36,154
Deferred entrance fees	123,392	-
Refundable CCRC contracts	842,000	-
	\$ 4,324,885	\$ 7,195,669
Net cash from operating activities	\$ 4,324,885	\$ 7,195,669

O'CONNOR WOODS HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – In June 2014, O'Connor Woods Housing Corporation and O'Connor Woods Holding Company merged and became one Company as O'Connor Woods Housing Corporation. O'Connor Woods Housing Corporation (the "Corporation") is a California not-for-profit corporation. The Corporation provides housing and other needs of the elderly in Stockton, California. It owns and operates a 249-unit residential retirement facility doing business as O'Connor Woods; a 37-unit assisted living facility doing business as Garden Oaks; a 48-unit assisted living facility doing business as Oak Creek; a 20-unit memory care doing business as Laurel Point and a 100-unit skilled nursing facility doing business as Meadowood Care Center. On May 22, 2013, O'Connor Woods Housing Corporation's total campus received a certificate of authority from the State of California Department of Social Services Continuing Care Contracts Branch as a Continuing Care Retirement Community.

A summary of significant accounting policies follows:

Cash and cash equivalents – For purposes of reporting in the statements of cash flows, the Corporation includes all highly liquid debt instruments purchased with an original maturity of three months or less, including money market funds, as cash and cash equivalents. The Organization periodically maintains cash deposits in excess of federally insured limits. Management monitors the financial condition of these institutions on an ongoing basis and does not believe significant credit risk exists at this time.

Assets limited as to use – Assets limited as to use primarily include assets held by trustees under indenture agreements related to the Corporation's bond and certificate of participation obligations. The portion of limited use assets available to satisfy related current liabilities are classified as current assets in the accompanying balance sheets. Limited use assets held include primarily government agency debt securities and cash equivalents [(money market funds) (see Note 2)].

Accounts receivable – The Corporation provides services to residents including those that may lack adequate funds or may participate in programs that do not pay full charges. The Corporation receives payment for health services from residents, insurance companies, Medicare, HMOs, and other third-party payors. As a result, the Corporation is exposed to certain credit risks. The Corporation manages its risk by regularly reviewing its accounts, and providing appropriate allowances for uncollectible accounts. Tenant and patient accounts receivable are stated at the amount management expects to collect. The Corporation provides for estimated losses on accounts receivable based on prior bad debt experience and generally does not charge interest on past due balances. Past due status is based on the date of services provided. Uncollectible receivables are charged off when deemed uncollectible. Recoveries from previously charged-off accounts are recorded when received.

Revenue recognition – The Corporation's patient service revenue is generated through the Meadowood Care Center skilled nursing facility. The Corporation generally does not require collateral or other security in extending credit to patients; however, the Corporation routinely obtains assignments of (or is otherwise entitlements to receive) benefits receivable under health insurance programs, plans, or policies of patients, such as the Medicare government reimbursement program ("Medicare") and commercial insurance. Patient service revenue is recognized at the time the service is provided. A portion of the Corporation's revenue is subject to discounts under contracts with third-party payors.

Rental revenue generated through the assisted and independent living facilities is recognized monthly in accordance with the rental agreements. Security deposits and advanced rent are recognized as liabilities until returned to tenants or otherwise earned.

The mix of receivables from patients and third-party payors is as follows:

	Years Ended December 31,	
	2014	2013
Medicare	44%	40%
Commercial and other	35%	38%
Medi-Cal	12%	10%
Self pay	9%	12%
	<u>100%</u>	<u>100%</u>

O'CONNOR WOODS HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

Property and equipment – Property and equipment are stated at cost. Donated property is recorded at its estimated fair value at the date of receipt. The cost of property and equipment purchased in excess of \$1,000 is capitalized. Depreciation of the property and equipment is computed principally using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and improvements	5 - 50
Land improvements	5 - 50
Furniture and equipment	3 - 20

Impairment of long-lived assets and long-lived assets to be disposed of – Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Investments – Investments consist primarily of publicly-traded corporate and U.S. government agency debt securities, corporate equity securities, and mutual funds. The Corporation reports these investments at their estimated fair value based on quoted market prices. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the excess (deficiency) of revenue and support over expenses.

Deferred financing costs and bond premiums – Deferred financing costs are being amortized over the term of the related long-term debt using the straight-line method of amortization, which approximates the effective interest method. The amortization expense for the years ended December 31, 2014 and 2013 was \$241,401 and \$215,930, respectively. Accumulated amortization totaled \$396,522 and \$155,121 as of December 31, 2014 and 2013, respectively. Bond premiums are netted against the long-term debt balance and are amortized over the life of the bonds using the effective interest method. The amortization of bond premium revenue was \$252,741 and \$163,260 for the years ended December 31, 2014 and 2013, respectively.

Income taxes – The Corporation is recognized as not-for-profit under Internal Revenue Code Section 501(c)(3) and under Section 23701(d) of the state of California Revenue and Taxation Code. Accordingly, the Corporation is exempt from federal and California income taxes. The Corporation files United States federal and California state tax returns. The Corporation is no longer subject to federal tax examinations before fiscal year 2011 or California tax examination before fiscal year 2010.

Donor restrictions and receivables – Contributions received for designated purposes are deposited and maintained in restricted cash accounts. Donor restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements. Permanently restricted net assets represent donor restricted donations for the Corporation's resident assistance program. Uniform Prudent Management of Institutional Funds Act ("UPMIFA") requires the preservation of the fair value of the donor restricted donations as of the gift date of permanently restricted donations absent explicit donor stipulations to the contrary. The Corporation classifies as permanently restricted net assets the original value of the donor restricted donations and accumulations to the permanently restricted fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The restrictions require the Corporation to maintain the donations in perpetuity with the interest and dividends earned on the donations to be used to assist residents.

The Corporation reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Promises to give are reported in donor receivables. Donor receivables also include receivables from a beneficial interest administered by St. Joseph's Foundation (the "Foundation") on behalf of the Corporation. Donors participating in the program donate assets that are held in investment at a financial institution. The earnings from the assets are available for the donor's use and the asset balance is bequeathed to the Corporation, through the Foundation, at the donor's death. The amount of the receivable recorded, \$12,419 and \$272,179 at December 31, 2014 and 2013, respectively, is based on the present value of future benefits expected from the program. As of December 31, 2013, the donor receivable included the charitable gift annuity administered by the Foundation. The donated assets ultimately available under the program are not restricted.

O'CONNOR WOODS HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS

Continuing Care Retirement Community (CCRC) contracts – The Corporation started to accept CCRC contracts in 2014. The entrance fees for CCRC contracts were paid by the initial resident of each housing unit upon entering into a continuing care residence and services agreement, and were recorded as deferred entrance fee for the nonrefundable portion and liability for the refundable portion. The Corporation's continuing care residence and services agreements are either (i) traditional contracts that have the right to a refund of the entrance fee, less 1/36 for each month of residency for 36 months; or (ii) 90% refundable contracts, where 90% of the entrance fee is refundable upon termination of contract, and the remaining 10% is nonrefundable and is amortized on a straight-line basis over the residents' life expectancy. As of December 31, 2014, the balance of deferred entrance fees was \$123,392, and the balance of the refundable CCRC contracts was \$1,131,030.

Obligation to provide future services – Starting in 2014, management annually calculates the present value of the net cost (difference between cost to operate and maintenance fees charged) of future services and use of the CCRC to be provided to current residents and compares the amount with the balance of deferred entrance fees and refundable CCRC contracts. If the present value of the net cost of future services and use of the CCRC exceeds the deferred entrance fees and refundable CCRC contracts, a liability is recorded with the corresponding charge to income. No liability was recorded at December 31, 2014.

Other long-term liabilities – Other long-term liabilities consist of an estimated transfer proceeds adjustment liability incurred in connection with the retirement of the Series 1999 Refunding Revenue Bonds. The liability is payable in September 2017. The Series 2013 revenue bonds' reserve funds include funds set aside to be used to pay the liability.

Benevolence – The Corporation provides services to residents who meet certain criteria under its benevolence policy without charge or at amounts less than its established rates. Partial payments to which the Corporation is entitled from public assistance programs on behalf of residents that meet the Corporation's benevolence criteria are reported as revenue. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue.

Estimates in the financial statements – In preparing financial statements in conformity with generally accepted accounting principles in the United States, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Accounting estimates include fair value measurements of investments, contractual and uncollectible accounts receivable, useful lives of fixed assets, deferred entrance fees, and future service benefit obligations.

Loss from early retirement of debt – Loss from early retirement of debt represents the unamortized deferred financing costs related to the Series 1999 Refunding Revenue Bonds and Series 2001A City of Stockton Revenue Bonds of approximately \$1,800,000, the transfer proceeds adjustment liability incurred in connection with the retirement of the Series 1999 Refunding Revenue Bonds of \$1,020,000, and other non-recurring costs related to the Series 2013 Insured Revenue Bonds of approximately \$250,000.

Excess (deficiency) of revenue and other support over expenses – The statements of operations include excess (deficiency) of revenue and other support over expenses. Changes in unrestricted net assets that are excluded from excess (deficiency) of revenue and other support over expenses include contributions of long-lived assets.

Fair value of financial instruments – The carrying amounts of financial instruments approximated fair value as of the balance sheet date because of the relatively short maturity period of these instruments. The fair value of long-term debt as of December 31, 2014 and 2013, is approximately \$53,800,000 and \$48,900,000, respectively. The amounts are estimated based upon a valuation of quoted prices of securities with similar characteristics. The long-term debt is classified as Level 2 in the fair value hierarchy.

Recent accounting pronouncements – In July 2012, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2012-01, *Health Care Entities (Topic 954): Continuing Care Retirement Communities—Refundable Advance Fees* ("ASU 2012-01") to amend FASB Accounting Standard Codification ("ASC") 954-430 to provide clarifying guidance on accounting for refundable advance fees received by continuing care retirement communities. FASB ASC Section 954-430-25, *Health Care Entities—Deferred Revenue—Recognition*, has been amended to clarify that in situations under which a contract with a resident stipulates that all or a portion of the refundable advance fee will be paid (i.e., refunded) to the extent of the proceeds of re-occupancy, only that portion of the advance fee received should be accounted for as deferred revenue, provided that the legal environment and the entity's management policy and practice support withholding of refunds under such circumstances. Thus, refundable advance fees contingent upon re-occupancy but which are not limited to the proceeds of re-occupancy should be classified as a liability. The Corporation adopted FASB ASU No. 2012-01 in the fiscal year ended December 31, 2014.

Reclassifications – Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation.

O'CONNOR WOODS HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – ASSETS LIMITED AS TO USE

Assets limited as to use invested primarily in government agency debt securities and cash equivalents, consist of the following (at fair value):

	December 31,	
	2014	2013
Series 2013 revenue bonds' reserve funds:		
Project fund	\$ 3,312,432	\$ 8,150,884
Revenue fund	-	100,569
Reserve fund	3,272,463	3,235,368
Interest fund	1,179,282	992,413
Debt service fund	850,031	355,004
Capitalized interest fund	-	600,615
	8,614,208	13,434,853
Less amount required for current liabilities	(2,029,250)	(1,662,651)
	\$ 6,584,958	\$ 11,772,202

NOTE 3 – INVESTMENTS

Investments include general-use investments, investments limited as to use by indenture agreements and those investments restricted by donor stipulation, and consist of the following:

	December 31, 2014		
	Cost	Fair Market Value	Unrealized Gain (Loss)
Investments:			
Money market funds	\$ 348,865	\$ 348,865	\$ -
Debt securities	2,751,061	2,749,962	(1,099)
Mutual funds	2,356,665	2,410,952	54,287
Equity securities	5,463,859	5,826,326	362,467
	10,920,450	11,336,105	415,655
Donor restricted cash and investments:			
Cash and cash equivalents	781,555	781,555	-
Assets limited as to use:			
Cash and cash equivalents	5,527,651	5,527,651	-
U.S. government agency debt securities	3,100,523	3,086,557	(13,966)
	8,628,174	8,614,208	(13,966)
	\$ 20,330,179	\$ 20,731,868	\$ 401,689

O'CONNOR WOODS HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

	December 31, 2013		
	Cost	Fair Market Value	Unrealized Gain (Loss)
Investments:			
Money market funds	\$ 283,500	\$ 283,500	\$ -
Debt securities	2,951,818	2,824,082	(127,736)
Mutual funds	1,682,679	1,761,227	78,548
Equity securities	2,942,530	4,030,361	1,087,831
	<u>7,860,527</u>	<u>8,899,170</u>	<u>1,038,643</u>
Donor restricted cash and investments:			
Cash and cash equivalents	752,711	752,711	-
Assets limited as to use:			
Cash and cash equivalents	8,164,003	8,164,003	-
U.S. government agency debt securities	5,282,065	5,270,850	(11,215)
	<u>13,446,068</u>	<u>13,434,853</u>	<u>(11,215)</u>
	<u>\$ 22,059,306</u>	<u>\$ 23,086,734</u>	<u>\$ 1,027,428</u>

Investment income, expenses, and realized and unrealized gains and losses for assets limited as to use, cash equivalents, and investments are comprised of the following for the years ended December 31:

	Year Ended December 31, 2014		
	Assets limited as to use	Investment	Total
Investment income:			
Interest and dividend income	\$ 127,781	\$ 202,379	\$ 330,160
Realized gains on sales of securities	81,491	721,794	803,285
Unrealized gains (losses) on securities	12,937	(638,676)	(625,739)
	<u>222,209</u>	<u>285,497</u>	<u>507,706</u>
Less investment expenses	-	(123,984)	(123,984)
Total investment income	<u>222,209</u>	<u>161,513</u>	<u>383,722</u>
Less temporarily restricted investment income	-	(3,164)	(3,164)
Unrestricted investment income	<u>\$ 222,209</u>	<u>\$ 158,349</u>	<u>\$ 380,558</u>

O'CONNOR WOODS HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

	Year Ended December 31, 2013		
	Assets limited as to use	Investment	Total
Investment income:			
Interest and dividend income	\$ 578,836	\$ 135,055	\$ 713,891
Realized gains on sales of securities	-	502,250	502,250
Unrealized gains on securities	-	41,389	41,389
	578,836	678,694	1,257,530
Less investment expenses	-	(105,602)	(105,602)
Total investment income	578,836	573,092	1,151,928
Less temporarily restricted investment income	-	(7,841)	(7,841)
Unrestricted investment income	\$ 578,836	\$ 565,251	\$ 1,144,087

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined 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. A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value within the fair value hierarchy are:

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

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

Trading securities – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Level 2 securities include certain collateralized debt obligations and certain municipal securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include private investment funds and other closely held investments.

Beneficial interest in Foundation – Beneficial interest in Foundation consists of cash and other assets received under irrevocable annuity contracts by the Foundation on the Corporation's behalf. 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 Corporation. A reserve account has been established and invested in accordance with California statutes. Fair value is estimated using a discounted expected future cash flows model. Generally, inputs to this model, including expected future cash flows and discount rates, are not observable and beneficial interest in Foundation are classified within Level 3 of the hierarchy. The discount rates used range from 3.6% to 8.0%. Upon the death of the donor, the remaining funds revert to the Corporation and are taken to income. The beneficial interest in Foundation is included in donor receivable on the accompanying balance sheets. During the year ended December 31, 2014, the Corporation received full distribution of its beneficial interest in the Foundation.

O'CONNOR WOODS HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying balance sheet measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

Description	December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets limited as to use:				
Cash and cash equivalents				
Cash and money market funds	\$ 5,527,651	\$ 5,527,651	\$ -	\$ -
Debt securities				
U.S. treasury securities	3,086,557	-	3,086,557	-
Total assets limited as to use	8,614,208	5,527,651	3,086,557	-
Donated restricted cash and investments:				
Cash and cash equivalents				
Cash and money market funds	781,555	781,555	-	-
Investments				
Cash and cash equivalents				
Cash and money market funds	348,865	348,865	-	-
Debt securities				
Fixed income bonds	169,590	-	169,590	-
U.S. treasury securities	2,580,372	-	2,580,372	-
	2,749,962	-	2,749,962	-
Equity securities				
Financial services industry	930,675	930,675	-	-
Healthcare industry	672,652	672,652	-	-
Business services	726,309	726,309	-	-
Consumer goods/services	1,270,955	1,270,955	-	-
Energy	855,639	855,639	-	-
Industrial	88,270	88,270	-	-
Technology	878,312	878,312	-	-
Telecommunication	321,539	321,539	-	-
Utilities	81,975	81,975	-	-
	5,826,326	5,826,326	-	-
Mutual funds	2,410,952	2,410,952	-	-
Total investments	11,336,105	8,586,143	2,749,962	-
	\$ 20,731,868	\$ 14,895,349	\$ 5,836,519	\$ -

O'CONNOR WOODS HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

Description	December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets limited as to use:				
Cash and cash equivalents				
Cash and money market funds	\$ 8,164,003	\$ 8,164,003	\$ -	\$ -
Debt securities				
U.S. treasury securities	5,270,850	-	5,270,850	-
Total assets limited as to use	13,434,853	8,164,003	5,270,850	-
Donated restricted cash and investments:				
Cash and cash equivalents				
Cash and money market funds	752,711	752,711	-	-
Investments				
Cash and cash equivalents				
Cash and money market funds	283,500	283,500	-	-
Debt securities				
U.S. treasury securities	2,824,082	-	2,824,082	-
Equity securities				
Financial services industry	470,275	470,275	-	-
Healthcare industry	226,669	226,669	-	-
Business services	845,433	845,433	-	-
Consumer goods/services	1,058,789	1,058,789	-	-
Energy	267,408	267,408	-	-
Technology	868,679	868,679	-	-
Telecommunication	225,961	225,961	-	-
Utilities	67,147	67,147	-	-
	4,030,361	4,030,361	-	-
Mutual funds	1,761,227	1,761,227	-	-
Total investments	8,899,170	6,075,088	2,824,082	-
Beneficial interest in Foundation	262,821	-	-	262,821
	<u>\$ 23,349,555</u>	<u>\$ 14,991,802</u>	<u>\$ 8,094,932</u>	<u>\$ 262,821</u>

O'CONNOR WOODS HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheets using significant unobservable (Level 3) inputs:

	Beneficial Interest in Foundation
Balance, January 1, 2013	\$ 163,316
Total realized and unrealized gains and losses:	
Included in change in unrestricted net assets	36,182
Contributions	<u>63,323</u>
Balance, December 31, 2013	262,821
Distributions	<u>(262,821)</u>
Balance, December 31, 2014	<u>\$ -</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	2014	2013
Buildings and improvements	\$ 69,656,113	\$ 61,585,807
Land	4,325,171	4,325,171
Furniture and equipment	7,321,320	6,199,827
Land improvements	<u>3,078,904</u>	<u>2,800,500</u>
	84,381,508	74,911,305
Less accumulated depreciation	<u>(31,976,134)</u>	<u>(29,011,733)</u>
	52,405,374	45,899,572
Construction in progress	<u>1,243,634</u>	<u>3,392,268</u>
Property and equipment, net	<u>\$ 53,649,008</u>	<u>\$ 49,291,840</u>

Depreciation expense for the years ended December 31, 2014 and 2013, was \$2,954,665 and \$2,374,868, respectively.

O'CONNOR WOODS HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM DEBT

Long-term debt consists of the following:

	December 31,	
	2014	2013
Certificates of participation payable to ABAG Finance Authority for Nonprofit Corporations, with adjustable interest payable semi-annually and principal payments payable annually. Interest ranges from 2.0% to 5.0%, with the final payment due in January 2043. These certificates of participation are secured by a first deed of trust on the property and equipment of O'Connor Woods Housing Corporation.	\$ 48,760,000	\$ 49,115,000
Capital lease with a finance company with monthly payments of \$2,552, with a final payment of \$7,200 due in November 2017. Interest rate is 6.03%. The lease is secured by the automobile.	51,983	64,472
	48,811,983	49,179,472
Less current portion	(864,520)	(367,152)
	47,947,463	48,812,320
Bond issuance premium, net of accumulated amortization of \$416,001 and \$163,260 at December 31, 2014 and 2013, respectively.	2,964,808	3,217,549
Noncurrent portion	\$ 50,912,271	\$ 52,029,869

The aggregate amounts of debt's principal payments and capital lease's payments due are as follows for the years ending December 31:

	Debt	Capital Lease	Total
2015	\$ 850,000	\$ 14,520	\$ 864,520
2016	870,000	13,706	883,706
2017	890,000	23,757	913,757
2018	925,000	-	925,000
2019	955,000	-	955,000
Thereafter	44,270,000	-	44,270,000
	\$ 48,760,000	\$ 51,983	\$ 48,811,983

Series 2013 Insured Revenue Bonds – The certificates of participation, issued in June 2013, established reserve funds to be held by a trustee bank. Funds held by the trustee as of December 31, 2014 and 2013, totaled \$8,614,208 and \$13,434,853, respectively. The Corporation paid fees in connection with the issuance of the certificates in the amount of \$3,218,124. The proceeds of the certificates were used to refund the outstanding 1999 and 2001 Revenue Bonds, and to finance the construction of a memory care facility owned and operated by the Corporation, establish the reserve funds, and pay fees associated with the delivery of the certificates.

Letter of credit – In June 2007, the Corporation had an irrevocable stand-by letter of credit ("letter of credit") with a bank that provided for borrowings up to \$220,000 that expired July 2008 but is subject to automatic extension annually as a minimum security deposit with the California Department of Industrial Relations for its self-insurance plans. Advances under the letter of credit bear interest at the greater of prime rate plus 1% or a Floor Rate of 6%. In July 2013, the Corporation had automatically renewed the letter of credit and it was set to expire in July 2014. In September 2013, the Corporation was notified by the California Department of Industrial relations that under the new regulations that became effective January 1, 2013, there is no longer the requirement that a minimum security deposit be posted with their office. Therefore, the letter of credit was cancelled in September 2013.

NOTE 7 – RISK MANAGEMENT

The Corporation's professional liability insurance is a claims-made policy. Under the policy, insurance premiums cover only those claims actually reported during the policy term. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims related to occurrences during their terms, but reported subsequent to their termination, may be uninsured. The deductible on the claims-made policy was \$1,000 as of December 31, 2014 and 2013.

O'CONNOR WOODS HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS

Accounting principles generally accepted in the United States of America require that a health care facility disclose the estimated costs of malpractice claims in the period of the incident of malpractice if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated. Management is not aware of any pending claims that exceed the coverage limitations provided by their policy. Based on the Corporation's historical claims experience, management believes that any unreported professional liability will not have a material adverse effect on the Corporation's financial position or results of operations.

The Corporation purchased its workers' compensation benefits under an insured group plan. A capital contribution deposit of \$114,887 and \$109,717 was held by the plan during December 31, 2014 and 2013.

NOTE 8 – ADMINISTRATIVE SERVICES AGREEMENT

The Corporation has a contractual agreement with St. Joseph's Medical Center ("SJMC"), an acute care hospital in Stockton, California, affiliated with Dignity Health, whereby SJMC provides administrative services for a fee and processes pass-through expenditures on behalf of the Corporation. Under the terms of the administrative services agreement, \$477,501 and \$409,633, exclusive of pass-through activity, was recognized as expenses for services provided by SJMC, and included in purchased services in the Corporation's accompanying statements of operations for the years ended December 31, 2014 and 2013.

NOTE 9 – EMPLOYEE BENEFIT PLAN

The Corporation sponsors a 403(b) retirement plan (the "Plan") covering substantially all employees. Employees are immediately eligible to participate in the Plan and defer compensation under the Plan provisions. Employee deferral amounts are subject to Internal Revenue Service annual limitations. The Plan provides for employer-matching contributions. Employees who are at least 21 years of age and have completed one year of service are generally eligible to participate in employer-matching contributions. The employer will match 33.33% of the employee's deferral for deferral amounts not exceeding 6% of the employee's annual compensation. Employees vest 100% in employer-matching contributions after completing three years of service. Employer contributions to the Plan for the years ended December 31, 2014 and 2013, were \$117,670 and \$134,965, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The Corporation is involved in litigation arising in the normal course of business. While the outcome cannot be determined by the Corporation at this time, in the opinion of management, such litigation will be covered by the Corporation's insurance and the resolution of such will not have a material effect on the financial position or results of operations of the Corporation.

The Corporation is subject to many complex federal, state, and local laws and regulations. Compliance with these laws and regulations is subject to government review and interpretation and unknown or unasserted regulatory actions. Government activity, with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity, coding, and billing for services, has increased significantly. Violations of these laws can result in large fines and penalties, sanctions on providing future services, and repayment of past patient service revenues. Management believes any actions that may result from investigations of noncompliance with laws and regulations will not have a material effect on the Corporation's future financial position or results of operations.

NOTE 11 – HEALTH AND SAFETY CODE SECTION 1790(A)(3) DISCLOSURE

The following disclosure is made pursuant to section 1790(a)(3) of the California Health & Safety Code with respect to the Corporation. Reserves are being accumulated for identified projects or contingencies as disclosed in Note 2. The Corporation maintains a principal/reserve account for debt service, in the amount of \$8,614,208 and \$13,434,853 as of December 31, 2014 and 2013, respectively. These accounts are held with the Bond Holder Trustee – BNY Mellon Trust Company.

O'CONNOR WOODS HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – SUBSEQUENT EVENTS

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

Effective January 1, 2014, the Corporation has terminated its contractual agreement with SJMC for administrative services, and has switched over administrative and support services to Eskaton Properties, Inc., a not-for-profit that provides administrative and support services for retirement housing communities.

The Corporation has evaluated subsequent events through April 23, 2015, which is the date the financial statements are issued.



Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules

**O'Connor Woods Housing
Corporation**

December 31, 2014

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
O'Connor Woods Housing Corporation

We have audited the accompanying financial statements of O'Connor Woods Housing Corporation, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended December 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserve of O'Connor Woods Housing Corporation as of and for the year ended December 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 O'Connor Woods Housing Corporation 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 Schedule to Form 5-4, Reconciliation to Audit Report, and Supplementary Schedule to Form 5-5, Reconciliation to Audit Report, presented as supplementary schedule, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of O'Connor Woods Housing Corporation and the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mess Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California
April 23, 2015

CONTINUING CARE LIQUID RESERVE SCHEDULES

O'CONNOR WOODS HOUSING CORPORATION
FORM 5-1
LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR
Year Ended December 31, 2014

FORM 5-1
LONG TERM DEBT INCURRED
IN A PRIOR FISCAL YEAR
(INCLUDING BALLOON DEBT)

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Principal Paid During Fiscal Year	Interest Paid During Fiscal Year	Credit Enhancement Premiums Paid in Fiscal Year	Total Paid (Columns (b) + (c) + (d))
1	6/12/2013	\$ 355,000	\$ 2,358,500	\$ -	\$ 2,713,500
2					
3					
4					
5					
6					
7					
8					
		TOTAL:	\$ 2,358,500	\$ -	\$ 2,713,500

Provider: O'Connor Woods

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

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

O'CONNOR WOODS HOUSING CORPORATION
FORM 5-2
LONG-TERM DEBT INCURRED DURING FISCAL YEAR
Year Ended December 31, 2014

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over Next 12 Months	(e) Reserve Requirement (See Instruction 5) (Columns (c) x (d))
1		\$ -	-	-	\$ -
2					
3					
4					
5					
6					
7					
8					
TOTAL:					\$ -

Provider: O'Connor Woods

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

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

O'CONNOR WOODS HOUSING CORPORATION
FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT
Year Ended December 31, 2014

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

Line		TOTAL
1	Total from 5-1 bottom of column (e)	\$ 2,713,500
2	Total from 5-2 bottom of column (e)	-
3	Facility leasehold or rental payment paid by the provider during fiscal year (including related payments such as lease insurance)	-
4	Total amount required for long-term debt reserve	\$ 2,713,500

Provider: O'Connor Woods

O'CONNOR WOODS HOUSING CORPORATION
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES
Year Ended December 31, 2014

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	Total
1	Total operating expenses from financial statements	\$ 28,192,879
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$ 2,358,500
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$ -
	c. Depreciation	\$ 2,954,665
	d. Amortization	\$ (11,340)
	e. Revenues received during the fiscal year for services for persons who did not have a continuing care contract	\$ 26,355,017
	f. Extraordinary expenses approved by the Department	\$ -
3	Total deductions	\$ 31,656,842
4	Net operating expenses	\$ -
5	Divide Line 4 by 365 and enter the result.	\$ -
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$ -

Provider: O'Connor Woods

O'CONNOR WOODS HOUSING CORPORATION
FORM 5-5
ANNUAL RESERVE CERTIFICATION
Year Ended December 31, 2014

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: O'Connor Woods Housing Corporation
 Fiscal Year Ended: December 31, 2014

We have reviewed our Debt Service Reserve and Operating requirements as of, and for the period ended: December 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	\$ 2,713,500
[2] Operating expense reserve amount	\$ -
[3] Total liquid reserve amount	\$ 2,713,500

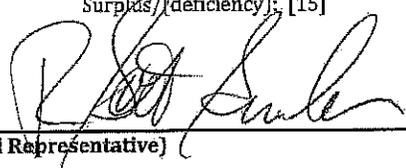
Qualifying assets sufficient to fulfill the above requirements are held as follows:

	Qualifying Asset Description	Amount (market value at end of quarter)	
		Debt Service Reserve	Operating Reserve
[4]	Cash and cash equivalents	\$ 2,895,140	\$ -
[5]	Investment securities	\$ 5,160,914	\$ -
[6]	Equity securities	\$ 5,826,326	\$ -
[7]	Unused/available lines of credit	\$ -	\$ -
[8]	Unused/available letters of credit	\$ -	\$ -
[9]	Debt service reserve	\$ 8,614,208	(Not Applicable)
[10]	Other:	\$ -	\$ -

(describe qualifying asset)

Total amount of qualifying assets Listed for reserve obligation: [11]	\$ 22,496,588 [12]	\$ -
Reserve obligation amount: [13]	\$ 2,713,500 [14]	\$ -
Surplus/(deficiency): [15]	\$ 19,783,088 [16]	\$ -

Signature



(Authorized Representative)

Executive Director

(Title)

Date: April 23, 2015

SUPPLEMENTARY SCHEDULES



O'CONNOR WOODS HOUSING CORPORATION
SUPPLEMENTARY SCHEDULE TO FORM 5-4
RECONCILIATION TO AUDIT REPORT
Year Ended December 31, 2014

Financial Statements Description

Rental revenue	\$ 13,256,318
Net patient service revenue	<u>13,098,699</u>
Total noncontract revenue	<u>\$ 26,355,017</u>

O'CONNOR WOODS HOUSING CORPORATION
SUPPLEMENTARY SCHEDULE TO FORM 5-5
RECONCILIATION TO AUDIT REPORT
Year Ended December 31, 2014

Financial Statements Description

Cash and cash equivalents	\$ 2,546,275
Investment - money market funds	<u>348,865</u>
	2,895,140
Investment - debt securities	2,749,962
Investment - mutual funds	<u>2,410,952</u>
	5,160,914
Investment - equity securities	5,826,326
Assets limited as to use	<u>8,614,208</u>
Total qualifying assets as filed	<u><u>\$ 22,496,588</u></u>

Qualifying Asset Description (Form 5-5)

Cash and cash equivalents

Investment securities

Equity securities

Debt service reserve



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

Date Prepared: _____

FACILITY NAME: O'Connor Woods Housing Corporation
 ADDRESS: 3400 Wagner Heights Road Stockton CA ZIP CODE: 95209 PHONE: 209-477-4030
 PROVIDER NAME: O'Connor Woods FACILITY OPERATOR: O'Connor Woods
 RELATED FACILITIES: N/A RELIGIOUS AFFILIATION: N/A
 YEAR # OF SINGLE MULTI- MILES TO SHOPPING CTR: 1.3
 OPENED: 1990 ACRES: 34 STORY STORY OTHER: _____ MILES TO HOSPITAL: 7.3

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>4</u>	ASSISTED LIVING: <u>105</u>
APARTMENTS — 1 BDRM: <u>111</u>	SKILLED NURSING: <u>100</u>
APARTMENTS — 2 BDRM: <u>106</u>	SPECIAL CARE: _____
COTTAGES/HOUSES: <u>30</u>	DESCRIPTION: > _____
RLU OCCUPANCY (%) AT YEAR END: <u>80.74%</u>	> _____

TYPE OF OWNERSHIP: NOT-FOR-PROFIT FOR-PROFIT ACCREDITED?: YES NO BY: _____

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

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

RANGE OF ENTRANCE FEES: \$65,000 - \$360,000 **LONG-TERM CARE INSURANCE REQUIRED?** YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: N/A

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: N/A OTHER: _____

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Resident Council President attends Board meetings

FACILITY SERVICES AND AMENITIES					
COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HOUSEKEEPING (<u>2</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (<u>1</u> /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Greenhouse</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

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

PROVIDER NAME: O'Connor Woods

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	\$25,572,934	\$26,376,084	\$28,274,476	\$30,902,843
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	\$21,015,077	\$21,731,787	\$23,105,665	\$25,048,762
NET INCOME FROM OPERATIONS	<u>\$ 4,557,857</u>	<u>\$ 4,644,297</u>	<u>\$ 5,168,811</u>	<u>\$ 5,854,081</u>
LESS INTEREST EXPENSE	\$ 2,455,547	\$ 2,369,559	\$ 2,335,183	\$ 2,345,000
PLUS CONTRIBUTIONS	\$ 108,045	\$ 1,678,079	\$ 86,595	\$ 65,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	\$ 1,180,771	\$ 1,144,087	\$723,903	\$ 750,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>\$ 3,391,126</u>	<u>\$ 5,096,923</u>	<u>\$3,644,126</u>	<u>\$4,324,081</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	<u>N/A</u>	<u>N/A</u>	<u>\$421,500</u>	<u>\$ 65,000</u>

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
Fleef Financing	\$ 51,983	6.03%	11-2012	11-2017	5 Years
Cal Mortgage	\$48,760,000	2.0%-5.0%	06-2013	01-2043	30 Years

FINANCIAL RATIOS (see next page for ratio formulas)

	<u>2014 CCAC Medians 50th Percentile (optional)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
DEBT TO ASSET RATIO		.7275	.6089	.5685
OPERATING RATIO		.8591	.8998	.8861
DEBT SERVICE COVERAGE RATIO		1.44	2.00	2.13
DAYS CASH ON HAND RATIO		162	200	201

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>
STUDIO	2,015	2.5%	2,078	3.0%	2,130	2.0%	2,183
ONE BEDROOM	3,159	2.5%	3,256	3.0%	3,338	2.0%	3,421
TWO BEDROOM	3,855	2.5%	3,988	3.0%	4,088	2.0%	4,190
COTTAGE/HOUSE	5,075	2.5%	5,161	1.0%	5,290	2.0%	5,422
ASSISTED LIVING	4,547		4,740		4,882		5,053
SKILLED NURSING	290		290		290		290
SPECIAL CARE							6,000

COMMENTS FROM PROVIDER: >

> _____
 > _____
 > _____

2015

LONG TERM DEBT TO TOTAL ASSET RATIO

LONG TEM DEBT LESS CURENT PORTION
TOTAL ASSET

50912271-864520-864520 = 49183231 **0.5685**
86519317 86,519,317.00

OPERATING RATIO

TOTAL OPERATING EXP
DEPRECIATION
AMORTIZATION
TOTAL OPERATING REVENUES - AMORTIZATION OF DEFERED REVENUE

30887546
-3504501
30902843 27,383,045.00 **0.8861**
30,902,843.00

DEBT SERVICE COVERAGE RATIO

TOTAL EXCESS FO REVENUES OVER EXPENSES 910,297.00
INTEREST 2,345,000.00
DEPRECIATION AND AMORTIZATIONEXP 3,504,501.00
AMORTIZATION OF DEFERRED REVENUE
NET PROCEEDS FROM ENTRANCE FEE 65,000.00
6,824,798.00 **2.13**
ANNUAL DEBT SERVICE 3,208,500.00

DAYS CASH ON HAND RATIO

UNRESTRICTED CURRENT CASH & INVESTMENT
UNRESTRICTED NON-CURRENT CASH & INVESTMENT
(OPERATING EXPENSES -DEPRECIATION-AMORTIZATION)/365

15,084,345.00
30,887,546.00
(3,504,501.00)
27,383,045.00
365.00
75,022.04
201.07

2014

LONG TERM DEBT TO TOTAL ASSET RATIO

LONG TEM DEBT LESS CURENT PORTION

TOTAL ASSET

50912271-864520	=	50,047,751.00	0.6089
82195236		82,195,236.00	

OPERATING RATIO

TOTAL OPERATING EXP

DEPRECIATION

AMORTIZATION

TOTAL OPERATING REVENUES - AMORTIZATION OF DEFERED REVENUE

28405248			
-2964400			
		25,440,848.00	0.8998

13222336+13138152+1913988		28,274,476.00	
---------------------------	--	---------------	--

DEBT SERVICE COVERAGE RATIO

TOTAL EXCESS FO REVENUES OVER EXPENSES	717,448.00	
INTEREST	2,335,183.00	
DEPRECIATION AND AMORTIZATIONEXP	2,953,060.00	
AMORTIZATION OF DEFERRED REVENUE		
NET PROCEEDS FROM ENTRANCE FEE	421,500.00	
	6,427,191.00	2.00
ANNUAL DEBT SERVICE	3,208,500.00	

DAYS CASH ON HAND RATIO

UNRESTRICTED CURRENT CASH & INVESTMENT

UNRESTRICTED NON-CURRENT CASH & INVESTMENT

(OPERATING EXPENSES -DEPRECIATION-AMORTIZATION)/365

13,923,367.00
28,405,248.00
(2,964,400.00)
25,440,848.00
365.00
69,700.95
190.96

2013

LONG TERM DEBT TO TOTAL ASSET RATIO

LONG TEM DEBT LESS CURENT PORTION

TOTAL ASSET

59237374-367152	=	58,870,222.00	0.7275
80917436		80,917,436.00	

OPERATING RATIO

TOTAL OPERATING EXP

DEPRECIATION

AMORTIZATION

TOTAL OPERATING REVENUES - AMORTIZATION OF DEFERED REVENUE

26530617			
-2429271			
		24,101,346.00	0.8591
12425474+12371908+1578702+1678098		28,054,182.00	

DEBT SERVICE COVERAGE RATIO

TOTAL EXCESS FO REVENUES OVER EXPENSES	(369,857.00)	
INTEREST	2,574,472.00	
DEPRECIATION AND AMORTIZATIONEXP	2,410,079.00	
AMORTIZATION OF DEFERRED REVENUE		
NET PROCEEDS FROM ENTRANCE FEE		
	4,614,694.00	1.44
ANNUAL DEBT SERVICE	3,208,500.00	

DAYS CASH ON HAND RATIO

UNRESTRICTED CURRENT CASH & INVESTMENT

UNRESTRICTED NON-CURRENT CASH & INVESTMENT

(OPERATING EXPENSES -DEPRECIATION-AMORTIZATION)/365

10,727,459.00
26,530,617.00
(2,410,079.00)
24,120,538.00
365.00
66,083.67
162.33

**O'CONNOR WOODS ENTITIES
FINANCIAL RATIOS
DECEMBER 31, 2014**

SCHEDULE C

2015 Budget

CURRENT QUARTER	12 MONTH ROLLING	COVENANT
156,626	717,448	910297
784,538	2,953,060	3504501
590,045	2,335,183	2345000
(26,462)	683,052	300000
0	0	
1,504,747	6,688,743	7,059,788
802,125	3,208,500	3,208,500
1.88	2.08	> 1.25
DEBT SERVICE COVERAGE		

CURRENT QUARTER	YEAR-TO-DATE	COVENANT
\$2,589,022	\$2,589,022	3000000
10,103,228	10,103,228	10853228
1,231,117	1,231,117	1231117
13,923,367	13,923,367	15,084,345
7,458,315	28,405,248	30887546
(784,538)	(2,964,400)	-3504501
6,673,777	25,440,848	27,383,045
92	365	365
72,541	69,701	75,022
192	200	> 30
DAYS CASH ON HAND		

CURRENT QUARTER	COVENANT
15,572,984	
8,031,638	
1.94	> 1.50
CURRENT RATIO	

CURRENT MONTH	YEAR-TO-DATE	GOAL
1,712,970	1,712,970	
1,176,609	12,974,466	
31	365	
44	48.19	45
DAYS IN AR		

O'CONNOR WOODS ENTITIES
 CONSOLIDATED STATEMENT OF OPERATIONS
 DECEMBER 31, 2014

	CURRENT MONTH		VARIANCE	PRIOR YR	YEAR TO DATE				
	ACTUAL	BUDGET			ACTUAL	BUDGET	VARIANCE	PRIOR YR	
	\$	\$		\$	\$	\$		\$	
1 Patient revenues	1,242,275	1,209,153	2.74%	1,198,512	14,145,465	14,571,845	-2.93%	13,273,266	
2 Contractual Adjustments	(87,218)	(121,237)	-28.06%	(76,482)	(923,129)	(1,404,983)	-34.30%	(518,822)	
3 Net patient revenue	1,155,057	1,087,916		1,122,030	13,222,336	13,166,862		12,754,444	
4 Rental revenue	1,186,733	1,225,542	-3.17%	1,052,638	13,138,152	13,440,754	-2.25%	12,414,832	
5 Investment income on Reserve Funds	11,728	4,163	181.72%	12,945	124,531	50,000	149.06%	136,828	
6 Contributions / Gifts	-	-	100.00%	7,745	86,595	65,000	100.00%	111,887	
7 Other revenue	144,432	164,595	-12.25%	127,827	1,913,988	1,702,038	12.45%	1,580,681	
8 Total revenues	2,497,950	2,482,216		2,323,185	28,485,602	28,424,654		26,998,672	
OPERATING EXPENSES									
9 Salaries	894,891	920,804	-2.81%	792,546	10,321,234	10,573,906	-2.39%	9,686,171	
10 Benefits	290,845	297,584	-2.26%	304,281	3,365,663	3,575,899	-5.66%	3,321,792	
11 Registry and Contract Labor	186,962	172,438	8.25%	194,542	2,312,922	2,178,300	6.18%	2,366,537	
12 Consulting	13,108	20,382	-35.69%	14,506	297,866	246,199	20.99%	213,293	
13 Legal	98,261	23,806	312.76%	4,999	213,641	153,018	96.62%	58,165	
14 Food	100,442	110,635	-9.21%	99,281	1,084,491	1,144,450	-5.24%	1,070,173	
15 Supplies	126,965	104,530	21.46%	131,926	1,290,519	1,327,281	-2.77%	1,194,230	
16 Medical Fees	3,500	2,851	22.76%	2,050	46,060	35,000	31.60%	30,315	
17 Repairs and maintenance	97,299	57,042	70.57%	66,858	803,731	838,489	-4.15%	714,721	
18 Other purchased services	154,488	96,065	60.82%	107,929	1,255,567	1,074,785	16.82%	1,017,239	
19 Bad debt expense	-	-	0.00%	-	110,128	55,017	100.17%	349,591	
20 Advertising	11,235	2,509	347.79%	5,087	69,662	62,867	10.81%	52,899	
21 Dues and subscriptions	8,571	4,425	93.69%	4,359	46,605	52,844	-11.81%	42,231	
22 Other expense	18,417	226,240	-91.86%	37,907	163,646	464,543	-64.00%	212,017	
23 Telephone	2,205	1,612	36.79%	3,881	28,676	33,186	-13.59%	27,634	
24 Utilities	91,756	88,408	3.79%	72,337	1,286,878	1,190,046	8.14%	1,136,143	
25 Insurance	2,364	33,051	-92.85%	35,134	355,328	400,225	-11.22%	346,731	
26 Licenses and taxes	6,313	5,705	10.66%	2,725	64,368	68,791	-6.43%	50,474	
27 Amortization-Def Finance Costs	(945)	(1,234)	-23.42%	(421)	(11,340)	(14,819)	-23.45%	54,402	
28 Depreciation	293,277	246,140	18.19%	225,012	2,964,400	2,839,492	4.40%	2,374,871	
29 Interest	199,671	200,661	-0.49%	204,909	2,335,183	2,375,103	-1.68%	2,365,196	
30 Total operating expenses	2,595,325	2,615,654	-0.62%	2,309,748	28,405,248	28,064,622	-0.90%	26,685,826	
31 INCOME FROM OPERATIONS	(101,375)	(133,438)	-24.03%	13,437	80,354	(239,966)	-133.49%	312,846	
32 NON OPERATING REVENUE (EXPENSE)	-	-	100.00%	-	-	-	100.00%	1,564,207	
33 Non-Routine Bequest	-	-	0.00%	-	-	-	0.00%	(3,067,722)	
34 Bond Refinance - Def Fin Cost & Early Penalty	-	-	13.84%	99,773	111,224	301,048	-63.05%	491,474	
35 Interest income	28,839	25,332	0.00%	15,807	1,171,200	-	0.00%	502,239	
36 Realized Gains/Losses	(3,806)	-	0.00%	(2,277)	(983,052)	-	0.00%	(6,518)	
37 Market Value Adjustment	(56,227)	-	-223.14%	113,303	599,372	391,048	98.10%	(516,320)	
38 Total non operating revenues	(31,193)	25,332	22.63%	126,740	679,726	61,080	1012.85%	(203,474)	
39 NET INCOME	(132,568)	(108,106)		126,740	5,368,597	4,959,808	8.24%	5,107,315	
40 EBITDA	390,628	314,129	24.35%	442,937	5,368,597	4,959,808		5,107,315	

O'CONNOR WOODS HOUSING CORP
ENTRANCE FEE CONTRACTS

Date	Apt #	Name	M/F	Age	Exp Life	Entrance Fee	#21310		#21030		Monthly Rent	Notes
							Deferred Items Other - LT	Deferred Revenue - ST	90% refundable	10% amortized		
10/01/14	138	Weich, The	F	89	5.17	\$ 144,000.00	\$ 129,600.00	\$ 14,400.00	\$ 232.11	\$ 2,345.00		
11/01/14	256	Grunow, M	F	86	6.44	\$ 144,000.00	\$ 129,600.00	\$ 14,400.00	\$ 186.34	\$ 2,345.00		
11/01/14	372	Karow, Jac	M	77	9.72	\$ 180,000.00	\$ 162,000.00	\$ 18,000.00	\$ 154.32	\$ 2,345.00		
12/01/14	40	Allen, Gay	F	80	8.1	\$ 280,000.00	\$ 252,000.00	\$ 28,000.00	\$ 288.07	\$ 3,974.00		90repay ck to Robert A Allen and Gay D Allen living trust contact Paula Beiden 209-835-9592
12/31/14	356	Jacobsen, N	F	81	7.6	\$ 180,000.00	\$ 162,000.00	\$ 18,000.00	\$ 197.37	\$ 2,345.00		pd 10K on 12/31/14 M Jacobsen prom note 90days due 3/31/15
TOTAL							\$ 928,000.00	\$ 835,200.00	\$ 92,800.00	\$ 1,058.20		

Date	Apt #	Name	M/F	Age	Exp Life	Entrance Fee	100% amortized		Monthly Rent	Notes	
							100% amortized	Monthly amort			
11/01/14	168	VonBronKH	M	87	0	\$ 104,000.00	\$ 104,000.00	\$ 2,883.00	\$ 2,883.00		
11/17/14	146	Armi, Mad	F	74	0	\$ 120,700.00	\$ 120,700.00	\$ 3,144.00	\$ 3,144.00	paid 2/16/15	
11/17/14	205	Homan, Ba	F	82	0	\$ 104,000.00	\$ 104,000.00	\$ 2,883.00	\$ 2,883.00		
02/06/15	311	Davis, Klari	F	88	5.6	\$ 65,000.00	\$ 65,000.00	\$ 967.26	\$ 967.26	\$ 1,663.00	
TOTAL							\$ 393,700.00	\$ 393,700.00	\$ 967.26		

TOTAL
\$ 1,321,700.00
\$ 486,500.00
\$ 421,500.00

Note 5A - Debt

	Debt	Capital Lease	Total
2015	\$ 850,000	\$ 12,905	\$ 862,905
2016	870,000	13,706	883,706
2017	890,000	25,709	915,709
2018	925,000	-	925,000
2019	955,000	-	955,000
Thereafter	44,270,000	-	44,270,000
	<u>\$ 48,760,000</u>	<u>\$ 52,320</u>	<u>\$ 48,812,320</u>

Tieout



per Note 5A	48,811,983
Variance	\$ 337
per B/S - Current Portion Debt	864,520

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>2096-5284</u>	<u>3723-6000</u>	<u>272-351</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>2.5</u>	<u>3.5</u>	<u>3</u>

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: 1-1-2014
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- Each fee increase 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: O'CONNOR Woods
COMMUNITY: O'CONNOR Woods