

ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED:

12 / 31 / 14

PROVIDER(S): Pilgrim Place In Claremont

RECEIVED
APR 30 2015

CCRC(S): Same

CONTINUING CARE
CONTRACTS BRANCH

CONTACT PERSON: Bernard M. Valek

TELEPHONE NO.: (909) 399-5505

EMAIL: bvalek@pilgrimplace.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: \$ 13,242.00
 - 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.
- Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for **each** community.
- Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.



PILGRIM PLACE

625 Mayflower Road
Claremont, CA 91711

www.pilgrimplace.org

Tel: (909) 399-5500

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April 29, 2015

State of California
Department of Social Services
Community Care Licensing Division
Continuing Care Contracts Branch
744 P Street, M.S. 10-90
Sacramento, CA 95814

RE: Chief Executive Officer Certifications

To Whom It May Concern:

This letter shall serve as a certification of the following:

- The enclosed reports are correct to the best of my knowledge
- Each continuing care contract form in use or offered to new residents has been approved by the department
- We are maintaining the required liquid reserve as reflected on the enclosed reports

Please contact me if you should have any questions. Thank you.

Sincerely,

William R. Cunitz
Chief Executive Officer

Enclosures

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PILGRIM PLACE IN CLAREMONT

**Financial Statements for the
Years Ended December 31, 2014 and 2013
and
Independent Auditor's Report**



PILGRIM PLACE IN CLAREMONT

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INDEPENDENT AUDITOR'S REPORT

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CONTINUING CARE
CONTRACTS BRANCH

Board of Directors
Pilgrim Place in Claremont

We have audited the accompanying financial statements and the related notes to the financial statements of Pilgrim Place in Claremont (Pilgrim Place) as of December 31, 2014 and 2013 and for the years then ended, as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Pilgrim Place'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 Pilgrim Place'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.

Board of Directors
Pilgrim Place in Claremont

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pilgrim Place as of December 31, 2014 and 2013, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
April 15, 2015

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Current Assets:		
Cash and money market funds	\$ 6,005,362	\$ 5,734,552
Restricted cash and money market funds	61,539	275,416
Cash with trustee - bonds	247,045	235,008
Accounts receivable	1,501,452	1,646,106
Inventories	55,943	40,526
Prepaid expenses	<u>16,222</u>	<u>77,680</u>
Total Current Assets	7,887,563	8,009,288
Cash with Trustee - Bonds	2,006,877	2,006,585
Pledges Receivable (Note 2)	885,862	104,480
Charitable Remainder Trust (Note 3)	65,518	65,518
Investments (Note 4)		
Investments	2,737,680	2,719,823
Restricted investments	<u>7,037,919</u>	<u>6,887,848</u>
Total investments	9,775,599	9,607,671
Capitalized fees	2,022,251	2,102,301
Property, Plant and Equipment, net (Note 5)	<u>43,737,032</u>	<u>44,598,790</u>
Total Assets	\$ <u>66,380,702</u>	\$ <u>66,494,633</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 461,430	\$ 746,082
Salaries and benefits payable	827,383	683,813
Current portion of line of credit (Note 7)	500,000	600,000
Current portion Insured Senior Living Revenue Bonds (Note 9)	495,000	470,000
Deposits and deferred revenue	<u>548,625</u>	<u>579,227</u>
Total Current Liabilities	2,832,438	3,079,122
Long-Term Debt, less current portion		
Insured Senior Living Revenue Bonds (Note 9)	25,032,827	25,525,511
Annuities Payable	738,333	771,109
Other Liabilities		
Deferred revenue entrance fees	3,839,522	4,354,493
Deferred repayment entrance fees	3,074,716	2,834,321
Deferred revenue capital giving	<u>182,414</u>	<u>259,514</u>
Totals Liabilities	<u>35,700,250</u>	<u>36,824,070</u>
Net Assets:		
Unrestricted	20,523,585	19,697,840
Temporarily restricted (Note 10)	4,287,731	4,126,661
Permanently restricted (Note 10)	<u>5,869,136</u>	<u>5,846,062</u>
Total Net Assets	<u>30,680,452</u>	<u>29,670,563</u>
Total Liabilities and Net Assets	\$ <u>66,380,702</u>	\$ <u>66,494,633</u>

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

PILGRIM PLACE IN CLAREMONT**STATEMENTS OF OPERATIONS****For the Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<u>REVENUES</u>		
Independent living	\$ 6,192,908	\$ 5,789,278
Assisted living	2,276,848	2,112,031
Skilled nursing, net (Note 12)	6,004,570	6,070,635
Entrance fees - program	2,016,001	1,929,698
Other income - program	174,652	289,341
Net assets released from restrictions-		
Resident Health and Support Program Supplements	403,000	331,666
Contributions - designated	1,647,834	132,112
Annual Giving - designated	<u>75,847</u>	<u>89,044</u>
Total revenues	<u>18,791,660</u>	<u>16,743,805</u>
<u>EXPENSES</u>		
Independent living	708,330	736,584
Assisted living	1,776,815	1,487,605
Skilled nursing	4,929,163	4,801,968
Housekeeping, laundry and dietary	3,581,621	3,411,683
Resident services	36,297	30,145
General and administrative	1,786,476	1,657,576
Interest	1,551,045	1,585,314
Plant operations and maintenance	1,888,240	1,776,875
Fundraising	<u>501,257</u>	<u>347,726</u>
Total expenses before depreciation	<u>16,759,244</u>	<u>15,835,476</u>
Operating gain before depreciation and other revenues	2,032,416	908,329
Depreciation expense	<u>2,007,472</u>	<u>1,928,134</u>
Operating gain (loss)	<u>24,944</u>	<u>(1,019,805)</u>
<u>OTHER REVENUES, GAINS AND (LOSSES)</u>		
Annual Giving - undesignated	286,253	326,720
Undesignated bequests	-	180,773
Investment income	55,495	91,256
Realized and unrealized investment gains	190,963	635,802
Amortization of deferred revenue from capital gifts	77,100	95,280
Gifts -		
Collections	7,391	6,944
Other designated	-	45,265
Other capital projects and housing agreements	129,630	264,504
Net assets released from restrictions -		
Board allocation from endowment	46,211	-
Matured gift annuities	3,303	-
Miscellaneous	<u>4,455</u>	<u>2,538</u>
Total other revenues, gains	<u>800,801</u>	<u>1,649,082</u>
Change in unrestricted net assets	<u>\$ 825,745</u>	<u>\$ 629,277</u>

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

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF CHANGES IN NET ASSETS
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>UNRESTRICTED NET ASSETS</u>		
Operating gain (loss)	\$ 24,944	\$ (1,019,805)
Other revenues, gains and (losses)	<u>800,801</u>	<u>1,649,082</u>
Increase in unrestricted net assets	<u>825,745</u>	<u>629,277</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Annual residents' festival - net revenue	194,830	180,095
Contributions	170,676	158,174
Investment income	17,979	55,764
Realized and unrealized investment gains	234,371	790,232
Present value adjustment of gift annuities payable	183	15,325
Net assets released from restrictions:		
Resident Health and Support Program Supplements	(403,000)	(331,666)
Board allocation from endowment	(46,211)	-
Matured gift annuities	(3,303)	-
Miscellaneous	<u>(4,455)</u>	<u>(2,538)</u>
Increase in temporarily restricted net assets	<u>161,070</u>	<u>865,386</u>
<u>PERMANENTLY RESTRICTED NET ASSETS</u>		
Contributions	2,087	2,055
Contributions from new gift annuities	35,609	-
Present value adjustment of gift annuities payable	<u>(14,622)</u>	<u>25,678</u>
Increase in permanently restricted net assets	<u>23,074</u>	<u>27,733</u>
INCREASE IN NET ASSETS	1,009,889	1,522,396
NET ASSETS - BEGINNING OF YEAR	<u>29,670,563</u>	<u>28,148,167</u>
NET ASSETS - END OF YEAR	<u>\$ 30,680,452</u>	<u>\$ 29,670,563</u>

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

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from resident fees	\$ 14,593,448	\$ 14,179,970
Cash received from entrance fees	1,739,864	2,844,787
Cash received from other operating activities	194,830	180,095
Contributions	1,196,558	905,659
Investment income received	498,808	264,682
Interest payments	(1,551,038)	(1,574,212)
Cash paid to suppliers and employees	<u>(15,260,238)</u>	<u>(13,981,796)</u>
Net cash provided by operating activities	<u>1,412,232</u>	<u>2,819,185</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of investments	(520,603)	(8,339,354)
Proceeds from sale of investments	941,014	7,275,657
Acquisition of property and equipment	<u>(1,138,323)</u>	<u>(1,934,288)</u>
Net cash used by investing activities	<u>(717,912)</u>	<u>(2,997,985)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Net activity from line of credit borrowing	(100,000)	600,000
Payment on promissory notes	-	(450,000)
Payment on insured senior living revenue bonds	(470,000)	(445,000)
Payments on annuity obligations	(124,981)	(131,816)
Proceeds from contributions restricted for:		
Investment in plant	25,532	10,948
Investment subject to annuity arrangements	<u>44,391</u>	<u>-</u>
Net cash used by financing activities	<u>(625,058)</u>	<u>(415,868)</u>
NET INCREASE (DECREASE) IN CASH	69,262	(594,668)
CASH BALANCES - BEGINNING OF YEAR	<u>8,251,561</u>	<u>8,846,229</u>
CASH BALANCES - END OF YEAR	<u>\$ 8,320,823</u>	<u>\$ 8,251,561</u>

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

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 1,009,889	\$ 1,522,396
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Actuarial adjustment of annuity obligation	14,439	(41,003)
Amortization of capitalized fees	80,050	80,050
Amortization of bond discount	2,316	2,316
Amortization of deferred revenue from capital gifts	(77,100)	(95,280)
Amortization of entrance fees	(2,016,001)	(1,929,698)
Contributions restricted for long term purposes	(129,630)	(264,504)
Depreciation	2,007,472	1,928,134
Net realized and unrealized gain (loss) on investments	(425,334)	(1,269,081)
Non-cash contributions	(7,391)	(6,944)
Decrease (increase) in operating assets:		
Accounts receivable	119,122	(53,810)
Pledges receivable	(781,382)	27,505
Inventories	(15,417)	249
Prepaid expenses	61,458	33,028
Increase (decrease) in operating liabilities:		
Accounts payable	(284,652)	55,606
Salaries and benefits payable	143,570	25,286
Deposits and deferred revenue	<u>1,710,823</u>	<u>2,804,935</u>
Net cash provided by operating activities	<u>\$ 1,412,232</u>	<u>\$ 2,819,185</u>
Breakdown of ending cash balance:		
Cash and money market funds	\$ 6,005,362	\$ 5,734,552
Restricted cash and money market funds	61,539	275,416
Cash with trustee - bonds	<u>2,253,922</u>	<u>2,241,593</u>
Total	<u>\$ 8,320,823</u>	<u>\$ 8,251,561</u>

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

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General - Pilgrim Place in Claremont (Pilgrim Place) was incorporated in 1915 as a not-for-profit corporation described in Section 501(c)(3) of the Internal Revenue Code (IRC), for the purpose of maintaining a home for persons who have served in careers in charitable non-profit organizations. Pilgrim Place is exempt from federal income taxes under IRC Section 501(a) and contributions to Pilgrim Place qualify as deductible charitable contributions for income tax purposes under IRC Section 170(a)(viii). Pilgrim Place is exempt from state franchise taxes under similar provisions from the State of California. Pilgrim Place operates a residential retirement facility located in Claremont, California which provides housing and related services to approximately 355 residents under continuing care contracts.

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

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

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

Permanently restricted net assets have been restricted by donors to be maintained by Pilgrim Place in perpetuity.

Board Designated Amounts - The Board of Directors has designated certain unrestricted amounts which are recorded in the Endowment Fund. These amounts are included in unrestricted cash, money market funds and investments and totaled \$2,681,273 and \$2,628,302 as of December 31, 2014 and 2013, respectively. In as much as these amounts have no donor restrictions, the Board may undesignate these amounts at any time. Additionally, \$23,664 and \$38,437 has been designated for specific resident programs as of December 31, 2014 and 2013, respectively.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Split-Interest Agreements - Pilgrim Place has gift annuities and charitable remainder trusts. The terms and discount rates for these agreements are based upon the life expectancy of the donor(s) and present value tables provided by the Internal Revenue Service for determining the amount of the charitable contribution. Gift annuity contracts are a general liability of Pilgrim Place and are not limited to the assets in the separate fund. The actuarially determined liability is calculated annually and is adjusted accordingly. As a qualifying not-for-profit corporation, Pilgrim Place is authorized by the State of California to issue gift annuity contracts and is accordingly subject to applicable State laws and regulations. Under these laws, Pilgrim Place has met the legal reserve requirement. The charitable remainder trusts are administered by a third-party. Assets associated with the split-interest agreements are recognized at fair market value.

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

Cash and Cash Equivalents - Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

At December 31, 2014 and 2013, Pilgrim Place had cash balances in various financial institutions that exceed the Federal Depository Insurance Limits (FDIC) by \$5,452,527 and \$5,602,183, respectively.

Pilgrim Place routinely invests its surplus operating funds in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations. Investments in money market funds are not insured or guaranteed by the U.S. government.

Inventory - Inventory consists of office, food and kitchen supplies and is valued at cost on the first in/first out basis.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Accounts and Pledges Receivable - Accounts receivable represents amounts due from residents and third-party payers such as Medi-Cal and Medicare for services provided. Unconditional promises to give are recorded at fair value using present value techniques at a 2.5% discount rate. Amortization of the discount is included in contribution revenue.

Management has reviewed the collectability of accounts and pledges receivable and has determined the balances to be fully collectable. A plan to regularly evaluate accounts and pledges receivable and the potential collectability is in place and reviewed throughout the year.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position (see Note 4).

Realized gains and losses on dispositions are based on the net proceeds and the adjusted carrying value of the securities sold.

Unrealized gains and losses represent the net change in fair value of the securities and are recorded as an increase or decrease to net assets.

Capitalized Fees - Amounts paid for fees and underwriting costs associated with long-term debt are capitalized and amortized to interest expense over the life of the liability. These costs are amortized using the straight-line method.

Property and Equipment - Property and equipment are stated at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. For equipment, Pilgrim Place's capitalization policy includes all items with a unit cost of \$1,000 or more and an estimated useful life of greater than five years. Renovation projects with small individual job costs with a cumulative total exceeding \$1,000 are also capitalized if they benefit future periods. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Depreciation is computed on the straight-line method based on the following useful lives:

Land improvements	20-50 years
Buildings and improvements	10-50 years
Furniture and equipment	5-20 years

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Property and Equipment - (continued) Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Museum Collection - The Museum collection includes paintings and fine and decorative art objects. All items in the collection are deemed inexhaustible assets and therefore are not depreciated. According to Museum policy, any proceeds from the sale of the collection items will be reinvested in other collection items.

Deferred Revenue and Repayment from Entrance Fees - Entrance fees paid by a resident upon entering into a Classic Care and Residence Agreement are recorded as deferred revenue and amortized to income over a 50 month period. Under this type of resident contract the full amount of the entrance fee is refundable if a resident leaves Pilgrim Place within the first 90 days after entering; otherwise the remaining unamortized entrance fee is refunded if a resident leaves. Unamortized entrance fees totaled \$3,716,423 and \$4,186,786 as of December 31, 2014 and 2013, respectively.

Entrance fees paid by a resident upon entering into a 90% Deferred Repayment Care and Residence Agreement are recorded as deferred revenue with ten percent of the fee amortized to income over a 50 month period. Under this type of resident contract the full amount of the entrance fee is refundable if a resident leaves Pilgrim Place within the first 90 days after entering; otherwise 90% of the entrance fee is refunded if the resident leaves. This refundable portion is recorded as deferred repayment entrance fees and totaled \$3,074,716 and \$2,834,321 as of December 31, 2014 and 2013, respectively. Unamortized entrance fees on the 10% portion totaled \$123,099 and \$167,707 as of December 31, 2014 and 2013, respectively.

Management believes the estimated amount of entrance fees that are expected to be refunded to current residents under the terms of these contracts and based on previous attrition experience is not material and, as such, a provision for the liability has not been reported separately as a current liability.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Charity Care - Residents of Pilgrim Place enter with no means test for admission. As a result, at any given time, nearly 10% to 20% of residents lack the resources to provide for their daily needs. Their lifetime service to religious or charitable non-profit organizations has meant financial sacrifice for many residents. Together they built churches, ministered to the needy, visited the sick and supported their communities. Their need for care is a direct result of their lifetime of service to others and the world.

Services were provided to residents with a demonstrated inability to pay through the Resident Health and Support Program. Funds released from net assets from gifts to subsidize this program were \$403,000 and \$311,666 for the years ended December 31, 2014 and 2013, respectively. This program does not meet the accounting standards definition of charity care; therefore, costs associated with this program have not been estimated.

Deferred Revenue from Capital Gifts - Prior to 2003, Pilgrim Place issued rental credits to those residents who had paid for authorized improvements of more than \$5,000 or who completely paid for the construction of a new unit. The present value of estimated future rental credits was calculated and recorded as deferred revenue. Amounts received from residents exceeding this amount were recorded as donated property. Deferred revenue resulting from these gifts is amortized over the remaining life expectancy of the residents, beginning at the date of completion.

Effective in 2003, rental credits are no longer issued on the builder/donor projects and amounts received from residents for authorized improvements and construction of new units are recorded as capital gifts in the year received.

Obligation to Provide Future Services - Pilgrim Place annually calculates the present value of the net cost of future services and use of facilities to be provided to current continuing care contract residents and compares that amount with the future cash inflows from monthly fees and the balance of deferred revenue from advance fees. If the estimated present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability will be recorded with the corresponding charge to income. For the years ended December 31, 2014 and 2013, the calculation resulted in no future service liability. The discounted rate used for both years was 4.0%, based on the expected long term rate of return on governmental obligations.

Pilgrim Place estimates the cost of future services and the use of facilities in calculating the future obligation. The estimated amount of the obligation is based on actuarial assumptions such as life expectancy, projected future monthly resident fees, projected future operating costs and estimated future inflation rates. It is anticipated that actual results may differ from those estimates.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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

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

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

Functional Allocations of Expenses - The costs of providing the various programs and support services have been summarized on a functional basis in the statement of operations. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

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

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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

Subsequent Events - Pilgrim Place has evaluated subsequent events through April 15, 2015, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

NOTE 2 - PLEDGES RECEIVABLE:

Unconditional promises to give related to the Napier and Centennial Campaign at December 31, 2014 and 2013 are as follows:

	2014		
	Napier	Centennial	Total
Receivable - less than one year	\$ 16,948	\$ 242,604	\$ 259,552
Receivable - one to five years	4,406	691,995	696,401
Gross unconditional pledges	21,354	934,599	955,953
Less: discount	(726)	(69,365)	(70,091)
Net pledges receivable	<u>\$ 20,628</u>	<u>\$ 865,234</u>	<u>\$ 885,862</u>
	2013		
	Napier	Centennial	Total
Receivable - less than one year	\$ 65,818	\$ 11,750	\$ 77,568
Receivable - one to five years	8,111	23,500	31,611
Gross unconditional pledges	73,929	35,250	109,179
Less: discount	(2,623)	(2,076)	(4,699)
Net pledges receivable	<u>\$ 71,306</u>	<u>\$ 33,174</u>	<u>\$ 104,480</u>

Pledges receivable have been discounted to present value using a discount rate of 2.5% for both years.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 3 - SPLIT-INTEREST AGREEMENTS:

Gift Annuities - Pilgrim Place sponsors a charitable gift annuity program as part of its fund raising activities. All amounts received in exchange for these annuity contracts are segregated for investment in a separate fund. At December 31, 2014 and 2013, respectively, Pilgrim Place managed a total of \$850,990 and \$885,053 in assets under this program. Management has interpreted the agreements to require investment of the entire contract amount until the annuitant dies. All required payments to annuitants are made from this separate fund. At the time of death of the annuitant, the residuum is distributed from this fund to the designated net asset class as specified by the annuitant at the time the agreement was issued. If no designation was made, the residuum is distributed to the unrestricted net asset class.

Charitable Remainder Trust - Pilgrim Place is the beneficiary of two charitable remainder trust agreements (the "Trusts"). The Trusts are irrevocable and the beneficiary designation may not be changed. The Trusts are reported at fair value determined based on the present value of the net proceeds that are expected to be available to Pilgrim Place at the Trusts' maturity dates, discounted using Pilgrim Place's long-term borrowing rate over the periods until the estimated maturity dates. The contribution revenue is recorded in the statements of changes in net assets. The irrevocable portion of these Trusts at December 31, 2014 and 2013 amounted to \$65,518. The contribution will be collected after the contributor's death. Pilgrim Place classifies all receivables related to charitable remainder trusts as temporarily restricted.

NOTE 4 - INVESTMENTS:

Investment income and a schedule of net realized and unrealized gains for the years ended December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Investment income, net of expense of \$29,746 and \$22,997, respectively	\$ 73,474	\$ 147,020
Net realized and unrealized gain:		
Opportunity Fund	2,202	8,898
Gift Annuity Fund	23,525	107,400
Endowment and Specific Purpose Funds	423,132	1,417,136

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 4 - INVESTMENTS: (continued)

The following is a schedule of aggregate cost and fair values for Pilgrim Place's marketable securities. Investments are segregated into two portfolios. One portfolio is for gift annuity investments. The other portfolio is for Board designated, endowment and specific purpose resources.

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
General Fund:				
Equity securities (Level 1)	\$ 45,760	\$ 44,721	\$ 78,890	\$ 46,742
Land (Level 3)	45,000	45,000	45,000	45,000
	<u>90,760</u>	<u>89,721</u>	<u>123,890</u>	<u>91,742</u>
Gift Annuity Fund:				
Equity securities (Level 1)	209,461	344,353	294,890	567,941
Governmental securities (Level 1)	424,159	424,113	300,868	301,472
	<u>633,620</u>	<u>768,466</u>	<u>595,758</u>	<u>869,413</u>
Endowment and Specific Purpose Funds:				
Equity securities (Level 1)	5,947,188	7,341,409	6,058,054	7,157,630
Governmental securities (Level 1)	1,575,221	1,576,003	1,535,689	1,488,886
	<u>7,522,409</u>	<u>8,917,412</u>	<u>7,593,743</u>	<u>8,646,516</u>
Total investments	<u>\$ 8,246,789</u>	<u>\$ 9,775,599</u>	<u>\$ 8,313,391</u>	<u>\$ 9,607,671</u>

Levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

Level 1 - quoted prices in an active market for identical assets.

Level 2 - quoted prices for similar assets and market-corroborated inputs.

Level 3 - the organization's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

All investments held by Pilgrim Place are Level 1 - quoted prices in an active market for identical assets, with the exception of the donated land. The fair value of land, measured at Level 3, is the 2004 appraised value at the time received. Pilgrim Place intends to hold the land as a long-term investment and has not obtained a more recent appraisal.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT:

A summary of property and equipment at December 31, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>
Non-depreciable:		
Land	\$ 1,529,334	\$ 1,529,334
Museum collection	479,018	471,627
Construction in progress	<u>168,814</u>	<u>145,270</u>
Total non-depreciable	<u>2,177,166</u>	<u>2,146,231</u>
Depreciable:		
Permanent grounds improvement	1,095,065	1,072,525
Housing and central facilities	63,076,223	62,345,584
Equipment	<u>5,030,210</u>	<u>4,668,610</u>
Total depreciable	<u>69,201,498</u>	<u>68,086,719</u>
Less accumulated depreciation	<u>(27,641,632)</u>	<u>(25,634,160)</u>
Total depreciable, net	<u>41,559,866</u>	<u>42,452,559</u>
Property, plant and equipment, net	<u>\$ 43,737,032</u>	<u>\$ 44,598,790</u>

No capitalized interest was included in construction in progress for 2014 and 2013. Depreciation expense for the years ended December 31, 2014 and 2013 was \$2,007,472 and \$1,928,134.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 6 - INTER-FUND BORROWING:

Pitzer Expansion Project:

The General Fund borrowed \$1,000,000, during 1998, from the Endowment Fund to fund the Pitzer Expansion Project. The note was originally payable over a 25-year term and bears interest at a variable rate based upon a five-year treasury note yield as of each July 31st. Interest is due quarterly beginning September 1999 upon completion of the project. No principal payments have been made on this note since 2009. The Board of Directors is in the process of evaluating the pay off and repayment of this note. The outstanding balance at December 31, 2014 and 2013 is \$640,000.

Interest paid to the Endowment Fund for both the years ended December 31, 2013 and 2012 totaled \$4,713.

Health Service Center Project:

The General Fund borrowed \$1,750,000 during 2004 and \$1,550,000 during 2006 from the Endowment Fund to fund the Health Service Center Project. The note was originally payable over a 10-year term and bears interest at a variable rate starting at a rate of 4.0% based upon a five-year treasury note yield. Interest is due quarterly beginning March 2008 upon the completion of the project. No principal payments have been made on this note since 2009. The Board of Directors is in the process of evaluating the pay off and repayment of this note. The outstanding balance at December 31, 2014 and 2013 is \$2,805,000.

Interest paid to the Endowment Fund for both the years ended December 31, 2014 and 2013 totaled \$20,503.

Inter-fund Borrowing Elimination:

Inter-fund borrowing transactions are not reflected in the financial statements as U.S. generally accepted accounting principles require inter-fund activity to be eliminated. For both 2014 and 2013, outstanding balances on inter-fund borrowing totaling \$3,445,000 and interest expense of \$12,331 have been eliminated. However, reported in the statements of operations and statements of changes in net assets are the transactions that occur between unrestricted and temporarily restricted net assets. The allocation of interest expense on restricted endowment borrowing is recognized in expense for the assisted living and skilled nursing program services reported in the schedule of functional expenses, while investment income is recognized in temporarily restricted activities.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 7 - LINE OF CREDIT:

Pilgrim Place maintains an agreement for a line of credit with a maximum available principal amount of \$700,000 during the fiscal years ended December 31, 2014 and 2013. The current agreement matures on July 1, 2015. It is subject to further extension at the agreement of the parties. The line of credit is secured with collateral of personal assets owned by Pilgrim Place. Interest is payable monthly on outstanding amounts at the bank's base rate plus 0.5%. The outstanding balances at December 31, 2014 and 2013 were \$500,000 and \$600,000, respectively. The interest rate at December 31, 2014 and 2013 was 4.25%.

NOTE 8 - PENSION PLAN:

Pilgrim Place sponsors a Section 403(b) Retirement Savings Plan, a defined-contribution plan, for its employees. Full-time employees who are at least 18 years of age are eligible to participate. Employees may contribute up to a maximum of \$17,500 of their gross pay as a salary deferral based on age restrictions. Pilgrim Place matches 62.5% of the employee's contribution, not to exceed 3.75% of the employee's compensation. Amounts incurred by Pilgrim Place for matching contributions totaled \$123,468 and \$109,875 for the years ended December 31, 2014 and 2013, respectively. Pilgrim Place has no liability for the administration or payment of benefits of the plan and, accordingly, the present value of the related vested benefits is not reflected in these financial statements.

The Pilgrim Place in Claremont, Inc. 403(b) Plan (the Plan) is administered by American United Life Insurance Company, the trustee. In accordance with Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 a limited scope audit is performed annually. Separate financial statements for the Plan can be obtained through Pilgrim Place.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 9 - INSURED SENIOR LIVING REVENUE BONDS:

In August 2009, California Municipal Finance Authority (the Authority) issued \$25,730,000 of tax-exempt and \$770,000 taxable Insured Senior Living Revenue Bonds (Series 2009A and 2009B, respectively). The Authority then loaned the proceeds to Pilgrim Place pursuant to a loan agreement dated August 1, 2009. The Authority, in the case of the bonds, is merely a conduit for payment, in that the bonds do not constitute a general debt, liability, or obligation of the Authority, but are instead secured by and payable from payments of Pilgrim Place under the loan agreement.

Subject to the terms of the loan agreement and the regulatory agreement, the gross revenues of Pilgrim Place are pledged to the payment of the loan repayments and to secure the payments of the principal or the interest on the bonds and parity debt. Pilgrim Place has complied with the various covenants, conditions and restrictions required by the regulatory agreement.

Terms of the loan agreement require Pilgrim Place to make annual payments into a sinking fund that accumulates funds for payment of the bonds upon maturity. The bonds are payable beginning May 15, 2013, with annual payments scheduled through May 15, 2039. Interest rates range from 5.0% to 6.125%. A Reserve Fund was established to make any principal and interest payments if a shortage occurs in the required payments. The Reserve Fund balance at December 31, 2014 and 2013 was \$2,006,877 and \$2,006,585, respectively.

Interest paid during the construction phase, less associated interest income on bond proceeds was capitalized.

The maturity amount is less the discount on bonds which is amortized over the life of the liability. The bonds included a discount of \$69,525. At December 31, 2014 and 2013, the unamortized bond discount was \$57,173 and \$59,489, respectively.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 9 - INSURED SENIOR LIVING REVENUE BONDS: (continued)

Associated issuance costs are recorded as capitalized fees on the statements of financial position. The bonds included issuance costs of \$2,422,502. This amount is amortized using the straight-line method. Amortization recognized during the fiscal years ended December 31, 2014 and December 31, 2013 was \$80,050.

Required payments into the sinking fund are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2015	\$ 495,000	\$ 1,498,663	\$ 1,993,663
2016	520,000	1,473,287	1,993,287
2017	545,000	1,446,663	1,991,663
2018	570,000	1,418,787	1,988,787
2019	600,000	1,389,537	1,989,537
Thereafter	<u>22,855,000</u>	<u>16,535,713</u>	<u>39,390,713</u>
Total	25,585,000	<u>\$ 23,762,650</u>	<u>\$ 49,347,650</u>
Discount on bonds	<u>(57,173)</u>		
Total bonds payable	<u>\$ 25,527,827</u>		

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 10 - TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2014</u>	<u>2013</u>
Residents' Health and Support Program - resident supplements	\$ 168,755	\$ 187,437
Resident supplements	3,868,116	3,673,706
Resident account - Festival	23,664	38,437
Burton Piano Fund	(4,807)	(3,352)
Fixed asset acquisition	23,260	23,258
Split Interest Agreements:		
Annuities	(5,180)	(2,060)
Charitable remainder trust	65,518	65,518
Petterson Museum Friends - Petterson Museum of Intercultural Art	<u>148,405</u>	<u>143,717</u>
Total	<u>\$4,287,731</u>	<u>\$4,126,661</u>

Permanently restricted net assets are for the following purposes:

	<u>2014</u>	<u>2013</u>
Undesignated endowment	\$2,272,359	\$2,261,830
Resident supplements	2,425,003	2,412,458
Health Services Center support	774,751	774,751
Independent rental supplements	291,975	291,975
General operations	73,263	73,263
Petterson Museum of Intercultural Art	<u>31,785</u>	<u>31,785</u>
Totals	<u>\$5,869,136</u>	<u>\$5,846,062</u>

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 11 - ENDOWMENT:

Pilgrim Place's endowment consists of approximately 10 individual endowments established for its charitable purpose. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Pilgrim Place has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Pilgrim Place classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. As such, the Board has adopted a policy which treats realized and unrealized gains and losses as income on all Endowment Funds.

In making a determination to appropriate or accumulate donor-restricted endowment funds, the Board considers the long-term needs of Pilgrim Place in carrying out its charitable purpose, its present and anticipated financial requirements, its expected total return on investments, general economic conditions, as well as other factors.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 11 - ENDOWMENT: (continued)

Return Objectives, Risk Parameters and Strategies

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

Pilgrim Place has a policy of appropriating for distribution each year 5.5% from the General Endowment and up to 5.5% as needed from the Davis Health Endowment of the average portfolio market value for the preceding three years.

Endowment Net Asset Composition by Type of Fund as of December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$	\$ 4,023,560	\$ 5,751,298	\$ 9,774,858
Board-designated endowment funds	2,681,273			2,681,273
	<u>\$ 2,681,273</u>	<u>\$ 4,023,560</u>	<u>\$ 5,751,298</u>	<u>\$ 12,456,131</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$	\$ 3,817,421	\$ 5,730,057	\$ 9,547,478
Board-designated endowment funds	2,628,302			2,628,302
	<u>\$ 2,628,302</u>	<u>\$ 3,817,421</u>	<u>\$ 5,730,057</u>	<u>\$ 12,175,780</u>

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 11 - ENDOWMENT: (continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,628,302	\$ 3,817,421	\$ 5,730,057	\$ 12,175,780
Investment return:				
Investment income, net of expenses	3,192	17,979		21,171
Net appreciation (realized and unrealized)	<u>188,761</u>	<u>234,371</u>		<u>423,132</u>
Total investment return	<u>191,953</u>	<u>252,350</u>	<u>-</u>	<u>444,303</u>
Other changes:				
Contributions	44,721		2,087	46,808
Matured gift annuities			19,154	19,154
Transfers and distributions	<u>(183,703)</u>	<u>(46,211)</u>		<u>(229,914)</u>
Total other changes	<u>(138,982)</u>	<u>(46,211)</u>	<u>21,241</u>	<u>(163,952)</u>
Endowment net assets, end of year	<u>\$ 2,681,273</u>	<u>\$ 4,023,560</u>	<u>\$ 5,751,298</u>	<u>\$ 12,456,131</u>

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 11 - ENDOWMENT: (continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,606,190	\$ 2,971,425	\$ 5,714,838	\$ 10,292,453
Investment return:				
Investment income (loss), net of expenses	1,406	55,764		57,170
Net appreciation (realized and unrealized)	<u>626,904</u>	<u>790,232</u>		<u>1,417,136</u>
Total investment return	<u>628,310</u>	<u>845,996</u>	<u>-</u>	<u>1,474,306</u>
Other changes:				
Contributions	500,000		2,055	502,055
Matured gift annuities			13,164	13,164
Transfers and distributions	<u>(106,198)</u>			<u>(106,198)</u>
Total other changes	<u>393,802</u>	<u>-</u>	<u>15,219</u>	<u>409,021</u>
Endowment net assets, end of year	<u>\$ 2,628,302</u>	<u>\$ 3,817,421</u>	<u>\$ 5,730,057</u>	<u>\$ 12,175,780</u>

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 12 - PATIENT SERVICE REVENUE:

Patient service revenue at December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Skilled nursing	\$ 7,029,740	\$ 7,008,524
Less contractual provisions	<u>(1,025,170)</u>	<u>(937,889)</u>
Skilled nursing, net	<u>\$ 6,004,570</u>	<u>\$ 6,070,635</u>

During 2014 and 2013, there were no bad debt expenses related to skilled nursing.

NOTE 13 - RELATED PARTY:

Beginning in fiscal year 2003, Pilgrim Place purchased workers' compensation insurance through a group self-insurance program in which Pilgrim Place is a member, and which is regulated by the California Department of Industrial Relations. A Pilgrim Place officer is an officer of the group self-insurance program and is a member of its Board of Directors. Workers' compensation insurance purchased during the years ended December 31, 2014 and 2013 totaled \$786,263 and \$709,778, respectively.

NOTE 14 - REDEVELOPMENT PLAN OBLIGATION (AB 1169 Disclosure):

The bonded debt issuance of \$26.5 million was primarily used to complete Pilgrim Place's master plan projects. The master plan projects were designed to meet the needs of the organization by providing additional housing and facilities for residents, which is consistent with the organization's tax exempt status. As part of the plan, Pilgrim Place applied for CCRC licensure for its existing campus and for a proposed campus expansion. The expansion project added independent living units, assisted living units, administrative offices and other campus improvements. Construction began in 2009 and was substantially completed by May 2011. Pilgrim Place used a combination of internal cash and tax-exempt and taxable debt to fund project costs.

As of December 31, 2012, approximately \$24.5 million had been expended to retire outstanding debt of \$2.8 million, to fund prior construction costs of \$15.6 million, to pay bond issuance costs of \$2.6 million and to make debt service payments of \$3.5 million; thereby leaving a balance of \$2.0 million for the final debt service payment.

During fiscal year ended December 31, 2014, \$470 thousand in principal and \$1.5 million in interest payments were made. During fiscal year ended December 31, 2013 \$445 thousand in principal and \$1.5 million in interest payments were made.

SUPPLEMENTAL INFORMATION

PILGRIM PLACE IN CLAREMONT

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

(with comparative totals for the year ended December 31, 2013)

	PROGRAM SERVICES										SUPPORTING SERVICES				Total Expenses 2013
	Independent Living	Assisted Living	Skilled Nursing	Housekeeping, Laundry & Dietary		Resident Activities	Total Program Services	General Administration	Plant		Total Supporting Services	Total Expenses 2014			
				Operations & Maintenance	Fundraising										
Salaries and wages	\$ 165,909	\$ 1,084,808	\$ 2,422,841	\$ 1,343,136	\$ -	\$ 5,016,694	\$ 1,001,852	\$ 1,011,071	\$ 149,012	\$ 2,161,935	\$ 7,178,629	\$ 6,567,340			
Pension	3,736	12,430	39,173	20,039	-	75,378	22,240	21,032	4,818	48,090	123,468	109,875			
Employee benefits	30,859	302,283	547,892	393,913	-	1,274,947	154,834	229,748	9,154	393,736	1,668,683	1,510,876			
Payroll taxes	11,605	100,688	195,158	108,630	-	416,081	63,424	81,922	11,788	157,134	573,215	509,759			
Accounting fees	-	-	5,870	-	-	5,870	64,256	-	-	64,256	70,126	67,114			
Beauty shop	-	-	18,079	-	-	18,079	18,855	-	20	-	18,079	15,538			
Conferences and meetings	-	-	13,967	-	-	13,967	18,875	-	-	-	32,842	30,773			
Contract services and food	-	-	1,352,741	-	-	1,352,741	85,621	2,939	8,344	-	1,352,741	1,298,293			
Dues, licenses and taxes	-	8,807	23,859	4,032	-	36,698	5,491	-	-	5,491	133,602	135,480			
Employment advertising	1,595	13,915	13,613	4,948	-	34,071	22,720	6,149	-	28,869	62,940	61,387			
Equipment rental	180,381	31,337	6,115	-	-	217,833	12,185	30,573	-	30,573	248,406	233,977			
Insurance	-	-	-	-	-	-	80,050	-	-	80,050	12,185	5,763			
Legal fees	-	-	-	-	-	-	-	-	-	-	80,050	80,050			
Loan costs, amortization	-	-	53,266	-	-	53,266	7,367	-	-	15,716	53,266	60,278			
Medical supplies and equipment	255	-	1,233	-	-	1,488	2,252	-	8,349	17,204	17,204	10,096			
Postage	-	1,088	(7,901)	5,807	-	(1,006)	14,620	238	18,673	20,157	20,037	20,037			
Printing	-	-	864,287	-	-	864,287	18,292	-	-	14,620	878,907	1,083,368			
Professional services	-	4,346	34,463	-	-	38,809	127,050	328,100	12,465	30,757	69,566	85,961			
Public relations	56,683	43,267	177,900	51,937	-	329,787	12,185	39,308	213,530	668,680	998,467	828,689			
Purchased services	69,864	26,873	63,674	36,059	-	196,470	2,936	-	-	42,244	238,714	271,426			
Repairs and maintenance	-	-	-	-	26,221	26,221	6,764	-	-	-	26,221	24,725			
Resident activities	-	3,950	4,630	-	-	8,580	15,037	-	389	7,153	15,733	12,090			
Staff development	23,328	20,919	112,907	194,698	3,193	355,045	28,036	50,617	10,491	76,145	431,190	371,741			
Supplies and equipment	6,673	8,783	26,852	6,008	-	48,316	28,036	10,647	118	38,801	87,117	84,597			
Telephone	-	5	-	-	-	5	1,461	4,981	971	7,413	7,969	5,555			
Travel	156,253	113,195	281,064	53,160	-	603,672	16,098	60,640	1,875	78,613	682,285	679,145			
Utilities	638	121	36,336	398	-	44,376	15,035	10,275	51,260	76,570	120,946	79,592			
Miscellaneous expenses	-	-	-	-	-	-	-	-	-	-	-	-			
Total expense before depreciation and interest	708,330	1,776,815	4,929,163	3,581,621	36,297	11,032,226	1,786,476	1,888,240	501,257	4,175,973	15,208,199	14,250,162			
Interest - external	-	-	-	-	-	-	1,538,160	-	-	1,538,160	1,538,160	1,572,429			
Interest - internal (net of \$12,331 of eliminated interest)	-	-	10,478	-	-	12,885	-	-	-	-	12,885	12,885			
Total interest	-	2,407	10,478	-	-	12,885	1,538,160	-	-	1,538,160	1,551,045	1,585,314			
Depreciation	504,665	891,724	431,714	92,955	-	1,921,058	57,049	29,365	-	86,414	2,007,472	1,928,134			
Total expense	\$ 1,212,995	\$ 2,670,946	\$ 5,371,355	\$ 3,674,576	\$ 36,297	\$ 12,966,169	\$ 3,381,685	\$ 1,917,605	\$ 501,257	\$ 5,800,547	\$ 18,766,716	\$ 17,763,610			

See Independent Auditors' Report

RECEIVED
APR 30 2015
CONTINUING CARE
CONTRACTS BRANCH

PILGRIM PLACE IN CLAREMONT
STATE OF CALIFORNIA
CONTINUING CARE RESERVE REPORT

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



RECEIVED
APR 30 2015

INDEPENDENT AUDITOR'S REPORT

CONTINUING CARE
CONTRACTS BRANCH

Board of Trustees
Pilgrim Place in Claremont

We have audited the accompanying continuing care reserve report of Pilgrim Place in Claremont (Pilgrim Place), a California Not-For-Profit Corporation, as of and for the year ended December 31, 2014.

Management's Responsibility for the Continuing Care Reserve Report

Management is responsible for the preparation and fair presentation of the continuing care reserve report in accordance with the reporting provisions of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the continuing care reserve report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the continuing care reserve report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the continuing care reserve report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Pilgrim Place's preparation and fair presentation of the continuing care reserve report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pilgrim Place'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 continuing care reserve report.

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

Opinion

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

Basis of Accounting

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

Restriction of Use

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

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
April 24, 2015

**FORM 1-1
RESIDENT POPULATION**

<u>LINE</u>	<u>CONTINUING CARE RESIDENTS</u>	<u>TOTAL</u>
1	NUMBER AT BEGINNING OF FISCAL YEAR	350
2	NUMBER AT END OF FISCAL YEAR	356
3	TOTAL LINES 1 AND 2	706
4	MULTIPLY LINE 3 BY ".50" AND ENTER RESULT ON LINE 5	x.50
5	MEAN NUMBER OF CONTINUING CARE RESIDENTS	353
ALL RESIDENTS		
6	NUMBER AT BEGINNING OF FISCAL YEAR	401
7	NUMBER AT END OF FISCAL YEAR	410
8	TOTAL LINES 6 AND 7	811
9	MULTIPLY LINE 8 BY ".50" AND ENTER RESULT ON LINE 10	x.50
10	MEAN NUMBER OF ALL RESIDENTS	406
11	DIVIDE LINE 5 BY LINE 10 AND ENTER THE RESULT	0.87

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>LINE</u>		<u>TOTAL</u>
1	TOTAL OPERATING EXPENSES	18,766,716
a	DEPRECIATION	2,007,472
b	DEBT SERVICE(INTEREST ONLY)	1,538,160
2	SUBTOTAL (add Line 1a and 1b)	3,545,632
3	SUBTRACT LINE 2 FROM LINE 1 AND ENTER RESULT	15,221,084
4	PERCENTAGE ALLOCATED TO CONTINUING CARE RESIDENT (LINE11)	0.87
5	TOTAL OPERATING EXPENSE OF CONTINUING CARE RESIDENTS	
	MULTIPLY LINE 3 BY LINE 4	13,242,343
6	TOTAL AMOUNT DUE (LINE 5 BY .001)	13,242

PROVIDER: PILGRIM PLACE IN CLAREMONT

COMMUNITY: SAME AS ABOVE

**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)		(e) Total Paid (columns (b) + (c) + (d))
				Credit Enhancements	Premiums Paid	
1	Various	0	25,216		0	25,216
2	8/13/2009	470,000	1,537,168		0	2,007,168
3						
4						
5						
6						
7						
8						
		TOTAL	1,562,384			2,032,384

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

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

Provider: PILGRIM PLACE IN CLAREMONT

form 5-1

Comments from Provider: Column C, line 1 consists of interest payments on internal debt still outstanding at 12/31/14. Principle payments on internal debt are not required; however, \$344,500 in payments have been budgeted for 2015.

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

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

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

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

Provider: PILGRIM PLACE IN CLAREMONT

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

LINE		TOTAL
1	Total from form 5-1 bottom of Column (e)	2,032,384
2	Total from form 5-2 bottom of Column (e)	0
3	Facility leasehold or rental payment paid by provider during fiscal year. (including related payments such as lease insurance)	0
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	2,032,384

PROVIDER: PILGRIM PLACE IN CLAREMONT

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

LINE	AMOUNT	TOTAL
1	TOTAL OPERATING EXPENSE FROM FINANCIAL STATEMENT	<u>18,766,716</u>
2	DEDUCTIONS	
a	INTEREST PAID ON LONG-TERM DEBT	<u>1,562,384</u>
b	CREDIT ENHANCEMENT PREMIUMS PAID FOR LONG-TERM DEBT	<u>-</u>
c	DEPRECIATION	<u>2,007,472</u>
d	AMORTIZATION	<u>80,050</u>
e	REVENUE RECEIVED DURING FISCAL YEAR FOR SERVICES TO RESIDENTS WHO DID NOT HAVE A CONTINUING CARE CONTRACT	<u>4,690,785</u> {See attached schedule
f	EXTRAORDINARY EXPENSES APPROVED BY THE DEPARTMENT	<u>-</u>
3	TOTAL DEDUCTIONS	<u>8,340,691</u>
4	NET OPERATING EXPENSES	<u>10,426,025</u>
5	DIVIDE LINE 4 BY 365 AND ENTER THE RESULT	<u>28,564</u>
6	MULTIPLY LINE 5 BY 75 AND ENTER THE RESULT	<u>2,142,300</u>

PROVIDER: PILGRIM PLACE IN CLAREMONT

COMMUNITY: SAME AS ABOVE

**PILGRIM PLACE HEALTH SRVS CTR
REVENUE ACCOUNTS
2014**

PAYOR	COMMUNITY	PILGRIM	TOTAL
IVHP	\$1,227,254	\$106,809	\$1,334,063
MEDI-CAL	\$1,287,775	\$221,734	\$1,509,509
MEDICARE	\$934,436	\$63,581	\$998,017
PRIVATE	\$1,241,320	\$921,661	\$2,162,981
TOTAL	\$4,690,785	\$1,313,785	\$6,004,570

Note: Total revenue of \$6,004,570 agrees with skilled nursing revenue on page 4 of the 2014 audited financial statements.

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

**PROVIDER NAME: PILGRIM PLACE IN CLAREMONT
FISCAL YEAR ENDED: 12/31/2014**

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2014, and are in compliance with those requirements

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

DEBT SERVICE RESERVE AMOUNT	2,032,384
OPERATING EXPENSE RESERVE AMOUNT	2,142,300
TOTAL LIQUID RESERVE AMOUNT	4,174,684

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

<u>QUALIFYING ASSETS DESCRIPTION</u>	AMOUNT (MARKET VALUE AT END OF YEAR)	
	<u>DEBT SERVICE RESERVE</u>	<u>OPERATING RESERVE</u>
4 CASH AND CASH EQUIVALENTS	6,005,362	6,005,362
INVESTMENT SECURITIES		
EQUITY SECURITIES	2,737,680	2,737,680
7 UNUSED/AVAIL. LINES OF CREDIT	200,000	200,000
UNUSED/AVAIL. LETTERS OF CREDIT		-
DEBT SERVICE RESERVE	2,006,877	
OTHER: (DESCRIBE)		
TOTAL AMOUNT OF QUALIFYING ASSETS LISTED FOR RESERVE OBLIGATION:	11 <u>10,949,919</u>	12 <u>8,943,042</u>
RESERVE OBLIGATION AMOUNT	13 <u>2,032,384</u>	14 <u>2,142,300</u>
SURPLUS / (DEFICIENCY)	15 <u>8,917,535</u>	16 <u>6,800,742</u>

SIGNATURE:

John M. Valito
AUTHORIZED REPRESENTATIVE

DATE 4/29/15

Chief Financial Officer
TITLE

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

Total Qualifying Assets as Filed:	Debt Service	Operating	Description:
Cash and Cash Equivalents	6,005,362	6,005,362	Unrestricted cash and money market funds per statement of financial position.
Investment Securities	-	-	
Equity Securities	2,737,680	2,737,680	Unrestricted equity investments per statement of financial position.
Unused Line of Credit	200,000	200,000	Unused operational line of credit.
Land	-	-	
Debt Service Reserve	2,006,877	-	Debt service in trust account per statement of financial position.
Total Qualifying Assets as Filed	10,949,919	8,943,042	
Debt Service Reserve			
Reservations and Designations:	2,032,384	2,142,300	
Remaining Liquid Reserves	8,917,535	6,800,742	

Per Capital Cost of Operations

Operating Expenses (Form 5-4, line #1)	18,766,716
Mean # of CCRC Residents (Form 1-1, line #10)	406
Per Capita Cost of Operations	46,223

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)	\$1,320– \$3,232	\$3,035 – 4,476	\$6,390 - \$14,183
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.0%	4.0%	3.0%

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

[3] Indicate the date the fee increase was implemented: January 1, 2013
 (If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this 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 reason for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

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

PROVIDER NAME PILGRIM PLACE IN CLAREMONT
COMMUNITY NAME: SAME AS ABOVE

5. Monthly service fees are increased based on projected increases in costs for the subsequent year. In 2014 the Percentage increases were 4.0% for IL, 4.0% for AL, and 3.0% for SNF.

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

Date Prepared: 4/24/14



FACILITY NAME: Pilgrim Place In Claremont
 ADDRESS: 625 Mayflower Road ZIP CODE: 91711 PHONE: 909-399-5500
 PROVIDER NAME: Same as above FACILITY OPERATOR: Same as above
 RELATED FACILITIES: None RELIGIOUS AFFILIATION: None
 YEAR OPENED: 1915 # OF ACRES: 32 SINGLE MULTI-
 STORY STORY OTHER: Both MILES TO SHOPPING CTR: 1
 MILES TO HOSPITAL: 2

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS – STUDIO: _____	ASSISTED LIVING: <u>57</u>
APARTMENTS – 1 BDRM: <u>47</u>	SKILLED NURSING: <u>62</u>
APARTMENTS – 2 BDRM: <u>101</u>	SPECIAL CARE: _____
COTTAGES/HOUSES: <u>37</u>	DESCRIPTION: > _____
RLU OCCUPANCY (%) AT YEAR END: <u>98</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: _____

RANGE OF ENTRANCE FEES: \$ 102,245 - \$ 498,326 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Access to SNF with discount, clinic, enhanced care, emergency response.

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: Religious or Non-Profit OTHER: _____

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Five members of the twenty member board of
 > directors are residents with full participation and voting powers.

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 checked="" type="checkbox"/>	HOUSEKEEPING (____ TIMES/MONTH)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	MEALS (1-3 /DAY)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	CABLE TV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>			

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

PROVIDER NAME: Pilgrim Place In Claremont

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	12,089,672	13,743,953	14,814,107	16,775,659
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	12,877,691	13,992,762	14,250,162	15,128,149
NET INCOME FROM OPERATIONS	-788,019	-248,809	563,945	1,647,510
LESS INTEREST EXPENSE	-1,444,267	-1,581,372	-1,585,314	-1,551,045
PLUS CONTRIBUTIONS	1,414,847	1,666,853	824,286	419,186
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	184,717	548,752	729,596	381,615
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	-632,722	385,424	532,513	897,266
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	3,079,530	2,816,702	2,844,787	1,739,864

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGATION	DATE OF MATURITY	AMORTIZATION PERIOD
State of California, Insured Senior Living Bonds	\$25,032,827	6.00	08/13/2009	08/13/2039	30 years

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50 th Percentile (optional)	2012	2013	2014
DEBT TO ASSET RATIO	0.4	0.4	0.4	0.38
OPERATING RATIO	98.5	102.0	0.95	0.99
DEBT SERVICE COVERAGE RATIO	1.91	2.32	2.25	1.94
DAYS CASH ON HAND RATIO	290	170	195	190

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO							
ONE BEDROOM	\$1,135	3	\$1,170	5	\$1,228	4	\$1,277
TWO BEDROOM	\$1,621	3	\$1,670	5	\$1,753	4	\$1,823
COTTAGE/HOUSE							
ASSISTED LIVING	\$3,370	4	\$3,505	5	\$3,680	4	\$3,827
SKILLED NURSING	\$7,643	3	\$7,872	3	\$8,108	3	\$8,351
SPECIAL CARE							

COMMENTS FROM PROVIDER: > Historical monthly fee is the average fee charged to existing residents.

>
>

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

KEY INDICATORS REPORT

PILGRIM PLACE IN CLAREMONT

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

Chief Executive Officer Signature

Projected Forecast

Preferred Trend Indicator

OPERATIONAL STATISTICS

1. Average Annual Occupancy by Site (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
	92.00%	93.00%	93.50%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	N/A

MARGIN (PROFITABILITY) INDICATORS

2. Net Operating Margin (%)

	-4.00%	-6.50%	-1.80%	3.80%	4.60%	3.50%	3.50%	3.80%	4.10%	4.90%	↑
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3. Net Operating Margin - Adjusted (%)

	13.80%	15.40%	17.20%	19.34%	15.60%	18.70%	18.50%	18.20%	17.90%	17.90%	↓
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LIQUIDITY INDICATORS

4. Unrestricted Cash and Investments (\$000)

	\$5,175	\$6,148	\$7,211	\$8,453	\$8,742	\$8,074	\$8,523	\$9,075	\$9,500	\$10,210	↑
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5. Days Cash on Hand (Unrestricted)

	155	175	169	195	190	182	185	187	191	200	↑
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CAPITAL STRUCTURE INDICATORS

6. Deferred Revenue from Entrance Fees (\$000)

	\$3,600	\$4,932	\$6,360	\$7,188	\$6,914	\$6,900	\$6,800	\$6,800	\$6,800	\$6,800	N/A
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7. Net Annual E/F proceeds (\$000)

	\$2,193	\$2,848	\$2,816	\$2,845	\$1,740	\$2,506	\$2,995	\$3,289	\$3,289	\$3,289	N/A
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8. Unrestricted Net Assets (\$000)

	\$20,360	\$18,942	\$19,068	\$19,698	\$20,523	\$21,090	\$22,000	\$22,900	\$23,600	\$24,500	N/A
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9. Annual Capital Asset Expenditure (\$000)

	\$11,200	\$4,976	\$1,784	\$1,885	\$1,095	\$1,800	\$1,850	\$1,900	\$1,950	\$1,950	N/A
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10. Annual Debt Service Coverage

Revenue Basis (x)

	2.77	0.42	0.78	0.84	0.82	0.73	0.74	0.78	0.80	0.90	↑
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11. Annual Debt Service Coverage (x)

	26.09	2.07	2.36	2.25	1.94	1.98	2.17	2.27	2.26	2.43	↑
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12. Annual Debt Service/Revenue (%)

	1.00%	13.35%	13.00%	11.60%	13.00%	12.00%	12.00%	12.00%	11.00%	11.00%	↓
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13. Average Annual Effective Interest Rate (%)

	0.10%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	↓
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14. Unrestricted Cash & Investments/
Long-Term Debt (%)

	19.60%	23.32%	27.30%	33.12%	31.20%	32.30%	34.80%	37.90%	40.60%	44.80%	↑
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15. Average Age of Facility (years)

	16.21	13.46	13.04	13.30	13.29	13.25	13.15	13.10	13.05	13.05	↓
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KEY INDICATORS REPORT MEMO

Pilgrim Place became a CCRC for the first time in 2009 despite the fact that we have been in existence since 1915. In addition to becoming a CCRC, we closed on a \$26 million dollar tax-exempt bond issue in 2009 and have now completed a major campus building and renovation project. We have added new IL and AL units and have renovated several other central facilities buildings, for services such as food service and resident activities.

Operationally, we have always had high occupancy levels, with about 97% at IL and AL and about 82% at our SNF. These are projected to continue at similar levels in the future with our new living units.

Being a CCRC with the ability to take in entrance fee revenue will enable us to improve profitability, liquidity, and capital structure indicators compared to prior levels. We will have more debt going forward due to the bond issue, but that will still be at a manageable level.

Being an older campus our average age of facility is higher but, as part of our long-range financial plan, we will be reinvesting significant amounts in capital expenditures to maintain our campus going forward.