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**CONTINUING CARE
CONTRACTS BRANCH**

June 1, 2015

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

To Whom It May Concern:

The enclosed Annual Report and any amendments thereto are correct to the best of my knowledge.

The continuing care contract form in use for new residents has been approved by the Department of Social Services.

The Heritage on the Marina maintains the required liquid reserve amount to meet operating expenses.

Respectfully,

A handwritten signature in black ink, appearing to read "Ken D. Donnelly", written over a horizontal line.

Ken D. Donnelly
Chief Executive Officer

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CONTINUING CARE
CONTRACTS BRANCH

San Francisco Ladies' Protection and Relief Society

ANNUAL REPORT

December 31, 2014



EVIDENCE OF PROPERTY INSURANCE

Date (MM/DD/YYYY)
3/13/2015

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

Agency Heffernan Insurance Brokers 180 Howard St., Suite 200 San Francisco, CA 94105 CA License # 0564249		Phone (A/C, No, Ext): 	COMPANY Zurich American Insurance Company 560 Mission Street # 2300 San Francisco, CA 94105
FAX (A/C, No): 		E-MAIL ADDRESS: 	
CODE: 		SUB CODE: 	
AGENCY CUSTOMER ID#: 		License # 0564249	
INSURED San Francisco Ladies' Protection & Relief Society dba: Heritage on the Marina 3400 Laguna Street San Francisco, CA 94123		EFFECTIVE DATE 10/1/2014	EXPIRATION DATE 10/1/2015
		THIS REPLACES PRIOR EVIDENCE DATED: 	

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CONTINUING CARE CONTRACTS
POLICY NUMBER
CPP 0137343-00

PROPERTY INFORMATION

LOCATION/DESCRIPTION

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOT WITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL OF THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION

COVERAGE / PERILS / FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE
Employee Theft	\$25,000	\$5,000

REMARKS (Including Special Conditions)

Evidence 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.

ADDITIONAL INTEREST

NAME AND ADDRESS Heritage on the Marina 3400 Laguna Street San Francisco, CA 94123	<input type="checkbox"/> MORTGAGEE <input type="checkbox"/> LOSS PAYEE	<input type="checkbox"/> ADDITIONAL INSURED
	LOAN # 	
AUTHORIZED REPRESENTATIVE 		

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	<u>87</u>
[2]	Number at end of fiscal year	<u>85</u>
[3]	Total Lines 1 and 2	<u>172</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;">86</div>
All Residents		
[6]	Number at beginning of fiscal year	<u>102</u>
[7]	Number at end of fiscal year	<u>108</u>
[8]	Total Lines 6 and 7	<u>210</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;">105</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;">0.82</div>

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses	<u>\$10,165,619</u>
[a]	Depreciation	<u>\$516,940</u>
[b]	Debt Service (Interest Only)	<u>\$0</u>
[2]	Subtotal (add Line 1a and 1b)	<u>\$516,940</u>
[3]	Subtract Line 2 from Line 1 and enter result.	<u>\$9,648,679</u>
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	<u>82%</u>
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	<u>\$7,902,728</u>
[6]	Total Amount Due (multiply Line 5 by .001)	<u>\$7,903</u>

PROVIDER: San Francisco Ladies' Protection and Relief Society
COMMUNITY: Heritage on the Marina

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CONTINUING CARE
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San Francisco Ladies' Protection and Relief Society

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
San Francisco Ladies' Protection
and Relief Society

We have audited the accompanying financial statements of San Francisco Ladies' Protection and Relief Society (dba The Heritage or Heritage on the Marina) (the "Society"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities 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 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.

Auditors' 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 auditors' 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 Society'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 Society'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.

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Francisco Ladies' Protection and Relief Society as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Operating Expenses are presented for purposes of additional analysis and are 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 audits 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.

DZH Phillips LLP

San Francisco, California
June 1, 2015

San Francisco Ladies' Protection and Relief Society

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

	ASSETS	
	<u>2014</u>	<u>2013</u>
Cash	\$ 427,183	\$ 297,475
Accounts receivable		
Public nutrition program	85,261	71,111
Residents	28,723	65,696
Prepaid expenses	212,522	183,494
Investments	79,535,997	75,591,713
Property and equipment - net	8,791,223	8,711,451
Other assets		
Custodian funds	3,848	3,481
Other	2,524	2,524
Total other assets	<u>6,372</u>	<u>6,005</u>
Total assets	<u>\$ 89,087,281</u>	<u>\$ 84,926,945</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 332,850	\$ 616,322
Accrued salaries and other expenses	490,747	457,244
Custodian funds	1,915	1,177
Unamortized entrance fees - refundable	3,687,373	1,990,770
Unamortized entrance fees - non-refundable	1,730,284	1,485,272
Total liabilities	6,243,169	4,550,785
Net assets		
Unrestricted	82,065,238	79,647,017
Temporarily restricted	278,874	229,143
Permanently restricted	500,000	500,000
Total net assets	<u>82,844,112</u>	<u>80,376,160</u>
Total liabilities and net assets	<u>\$ 89,087,281</u>	<u>\$ 84,926,945</u>

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

San Francisco Ladies' Protection and Relief Society

STATEMENTS OF ACTIVITIES

Years ended December 31, 2014 and 2013

	2014	2013
Changes in unrestricted net assets:		
Operating revenue:		
Resident monthly fees	\$ 3,280,464	\$ 3,009,336
Entrance fee amortization	842,485	894,139
Private patient fees	1,540,803	1,376,554
Public nutrition program	845,257	837,371
Guest charges	53,503	41,959
Other income	27,843	35,250
Total operating revenue	<u>6,590,355</u>	<u>6,194,609</u>
Operating expenses:		
Resident services	8,792,681	8,508,529
Public nutrition program	855,998	880,148
Depreciation	516,940	522,951
Total operating expenses	<u>10,165,619</u>	<u>9,911,628</u>
Loss from operations	(3,575,264)	(3,717,019)
Other income (expense) - net:		
Dividends and interest	2,821,891	2,765,316
Net gain on investments	3,351,439	11,581,970
Investment management fee	(369,399)	(386,110)
Donations and bequests	33,257	49,149
Other	68,485	49,283
Total other income (expense) - net	<u>5,905,673</u>	<u>14,059,608</u>
Net assets released from restrictions	<u>87,811</u>	<u>71,602</u>
Change in unrestricted net assets	<u>2,418,220</u>	<u>10,414,191</u>
Changes in temporarily restricted net assets:		
Donations and bequests	97,190	68,100
Dividends and interest	12,139	11,404
Net gain on investments	30,818	30,367
Investment management fee	(2,604)	(1,162)
Net assets released from restrictions	(87,811)	(71,602)
Change in temporarily restricted net assets	<u>49,732</u>	<u>37,107</u>
Change in net assets	2,467,952	10,451,298
Total net assets - beginning of year	<u>80,376,160</u>	<u>69,924,862</u>
Total net assets - end of year	<u>\$ 82,844,112</u>	<u>\$ 80,376,160</u>

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

San Francisco Ladies' Protection and Relief Society

STATEMENTS OF CASH FLOWS

Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows provided by (used in) operating activities:		
Resident fees	\$ 3,317,437	\$ 2,952,794
Proceeds from new entrance fees - net of refunds	2,784,100	375,000
Private patient fees	1,540,803	1,376,554
Public nutrition program - net	(24,891)	(50,988)
Donations and bequests	130,447	117,249
Interest and dividend income	1,006,237	2,113,791
Other cash receipts	149,830	126,492
Cash paid for salaries and related expense	(6,319,080)	(6,455,677)
Cash paid to suppliers	<u>(3,124,230)</u>	<u>(2,215,513)</u>
Net cash used in operating activities	<u>(539,347)</u>	<u>(1,660,298)</u>
Cash flows provided by (used in) investing activities:		
Purchases of investment securities	(17,632,548)	(16,056,995)
Proceeds from sales of investment securities	18,898,314	20,270,188
Additions to property and equipment	<u>(596,711)</u>	<u>(2,576,628)</u>
Net cash provided by investing activities	<u>669,055</u>	<u>1,636,565</u>
Net increase (decrease) in cash	129,708	(23,733)
Cash - beginning of year	<u>297,475</u>	<u>321,208</u>
Cash - end of year	<u><u>\$ 427,183</u></u>	<u><u>\$ 297,475</u></u>

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

San Francisco Ladies' Protection and Relief Society

STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2014 and 2013

Reconciliation of change in net assets to net cash used in operating activities:

	<u>2014</u>	<u>2013</u>
Cash flows provided by (used in) operating activities:		
Change in net assets	\$ 2,467,952	\$ 10,451,298
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	516,940	522,951
Entrance fee amortization	(842,485)	(894,139)
Realized and unrealized net gains on investments	(3,382,257)	(11,612,337)
Interest and dividends reinvested - net of fees	(1,827,792)	(662,929)
Changes in operating assets and liabilities:		
Accounts receivable	22,823	(64,753)
Prepaid expenses	(29,028)	(1,600)
Accounts payable and accrued expenses	(249,600)	226,211
Proceeds from new entrance fees - net of refunds	<u>2,784,100</u>	<u>375,000</u>
Net cash used in operating activities	<u>\$ (539,347)</u>	<u>\$ (1,660,298)</u>

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

San Francisco Ladies' Protection and Relief Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Francisco Ladies' Protection and Relief Society (dba The Heritage or Heritage on the Marina) (the "Society"), which was formed in 1853, is a nonprofit California corporation. The Society owns and operates The Heritage in San Francisco, California, a continuing care retirement community.

Basis of accounting

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of presentation

Net assets and changes therein are classified as follows:

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations and earnings from permanently restricted net assets of the Society that will be met by actions of the Society and/or the passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that are to be maintained in perpetuity by the Society. The Society's endowment fund is a permanently restricted net asset.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Endowment fund

The Society has a \$500,000 endowment fund for the Out and About program for the residents. This fund's corpus is classified as permanently restricted. Earnings from the fund are used for the program costs.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014 and 2013

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Endowment fund (continued)

The Society is subject to the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) governing endowments. The Society has interpreted this law as requiring the preservation of the fair value of the original gift as of the date of the gift. Accordingly, the Society classified the original value of the gift as permanently restricted.

Earnings from the donor restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed under the law.

In accordance with UPMIFA, the Society has adopted investment and spending policies for the endowment assets in order to preserve and enhance the value of the corpus in perpetuity, provide a relatively steady stream of earnings, and to balance the current and future funding needs of the Out and About Program.

The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments and fixed income mutual funds to achieve its long-term return objectives, with prudent risk constraints. To satisfy its long-term rate of return objective, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield (interest and dividends). The endowment assets are co-mingled with other marketable investment securities of the Society and are invested in a manner that is intended to earn an average annual real rate of return (after inflation and program spending) of 3% per year.

The Society's annual spending rate from the endowment is determined annually at no more than half the rolling average rate-of-return over a period of not less than three years, or half of the average rate of return since inception if less than three years, calculated quarterly.

Investments

Investments in equity securities, fixed income mutual funds with readily determinable fair values are carried at fair value based on quoted prices in active markets. Other investments, consisting of international business trusts, which invest primarily in publicly traded equity securities, are valued at fair value using the Net Asset Value per Share (NAVS).

Realized and unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities as a gain or loss on investments. Realized gains and losses are computed using the first-in, first-out method.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014 and 2013

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Fair value measurements

The Society considers the use of market-based information over entity specific information in valuing its marketable investment securities, using a three-level hierarchy for fair value measurements, based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- *Level 1* inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2* inputs to the valuation methodology - quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.
- *Level 3* inputs to the valuation methodology - unobservable and significant to the fair value measurement.

An investment's categorization within the valuation hierarchy is based upon the highest and best use of the investment.

All of the Society's investments are classified as Level 1 except for its international business trusts which are classified as Level 2 at December 31, 2014 and 2013.

There are no unfunded commitments on Level 2 international business trusts held at NAVS. Shares are redeemable within four days notice.

There have been no changes in valuation techniques during the years ended December 31, 2014 and 2013.

Fair value of financial instruments

The carrying values of accounts receivable, prepaid expenses, and accounts payable approximate fair values based on the short-term maturities of these financial instruments.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014 and 2013

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Concentrations of credit risk

The Society maintains its cash balances at financial institutions located in San Francisco, California. At various times, the Society has maintained cash balances in excess of insured amounts. Management believes it is not exposed to any significant risk on cash accounts.

Property and equipment

The Society's policy is to capitalize all expenditures in excess of \$5,000, with a useful life of one year or longer, at cost or fair value at the date of donation if property is contributed. Depreciation on these assets is taken on the straight-line method of accounting over the estimated useful lives as follows:

	<u>Years</u>
Buildings and improvements	10-40
Furniture, equipment and fixtures	3-20

Gains or losses on dispositions of property and equipment are included in other income.

Public Nutrition Program

The Society operates a kitchen and provides prepared meals in connection with a meal delivery program for senior citizens under the direction of an independent nonprofit organization, Self Help for the Elderly, San Francisco, California. The Society is reimbursed by Self Help for the Elderly on the basis of meals provided.

Entrance fees

The Society has agreements with a majority of the residents whereby the Society provides lifetime care and lodging for the residents in exchange for a one-time fee paid upon entrance plus adjustable monthly care fees thereafter.

Entrance fees are recognized as revenue on a straight-line basis over the expected remaining life of the residents as recomputed actuarially at the end of each year. Any unamortized entrance fees at the time of a residents' death are immediately recognized as revenue. For the years ended December 31, 2014 and 2013, amounts recognized as revenue amounted to \$183,235 and \$361,660, respectively.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014 and 2013

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Entrance fees (continued)

The resident agreement provides for the right to a full refund upon termination for up to 90 days from the date of the agreement. Thereafter, a proportionate refund is provided to the resident upon termination for a period of approximately 67 months from the date of the agreement. The maximum amount of potential refund obligations under existing agreements at December 31, 2014 and 2013 amounted to \$3,687,373 and \$1,990,770, respectively.

Statutory reserve requirements and obligation to provide future services

The Society is required to meet certain annual reserve requirements required by the California Department of Social Services to help assure adequate resources are available to provide for the lifetime welfare of the residents. At December 31, 2014 and 2013, the Society was in compliance with such requirements.

The Society is also required to record a liability recognizing an obligation to provide future services and the use of facilities to all current residents if the Society is not in actuarial balance. Actuarial balance occurs when the present value of future net cash out-flows, adjusted for certain non-cash items, is less than or equal to the present value of future net cash in-flows. The Society makes this calculation on an annual basis and was in actuarial balance for the years ended December 31, 2014 and 2013. The discount rate used in the calculations for the years ended December 31, 2014 and 2013 was 4%.

The Society is required to have an actuarial study done every five years. The latest study, dated December 31, 2009, indicated that the Society was in actuarial balance, assuming that future investment returns are sufficient to fund operating deficits.

Income taxes

The Society is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d (or other states and code sections, as relevant). Accordingly, it has not provided for income taxes in these financial statements.

Effective February 2004, the Society became an exempt private operating foundation as defined in Section 4940(d)(2) of the Internal Revenue Code. Accordingly, the Society is exempt from the 2% excise tax imposed on the net investment income of exempt private foundations. Certain other income and support tests must be met each year in order to remain exempt and management believes the Society continues to meet these tests as of December 31, 2014 and 2013.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014 and 2013

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Income taxes (continued)

Each year, management considers whether the Society has engaged in any activities that could affect the Society's income tax status or result in taxable income. Management believes that any positions the Society has taken are supported by substantial authority and would more likely than not be sustained upon examination by the applicable taxing authority. Accordingly there are no potential tax liabilities to be recorded or disclosed in the financial statements.

Use of estimates

Management of the Society has made estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and the reporting of revenue and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

The Society amortizes entrance fees over the estimated remaining lives of the residents using actuarial tables based on current age and gender. The actual remaining lives will likely differ from the actuarial tables and the difference may be significant.

Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through June 1, 2015, which represents the date the financial statements were available to be issued. Subsequent to year end, the Society became Medicare certified. Management has determined that there were no other subsequent events requiring recognition or disclosure in the financial statements.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014 and 2013

NOTE B - UNAMORTIZED ENTRANCE FEES

For the years ended December 31, 2014 and 2013, unamortized entrance fees had the following activity:

	<u>2014</u>	<u>2013</u>
Balance - beginning of year	\$ 3,476,042	\$ 3,995,181
New entrance fees	<u>2,784,100</u>	<u>375,000</u>
	6,260,142	4,370,181
Less: amortization included in operating revenue	<u>842,485</u>	<u>894,139</u>
Balance - end of year	<u><u>\$ 5,417,657</u></u>	<u><u>\$ 3,476,042</u></u>

NOTE C - PROPERTY AND EQUIPMENT

At December 31, 2014 and 2013, property and equipment consists of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 741,689	\$ 732,811
Land improvements	197,477	102,179
Building and improvements	12,717,554	12,281,544
Equipment and furnishings	<u>3,623,704</u>	<u>3,585,395</u>
	17,280,424	16,701,929
Less: accumulated depreciation	<u>(8,589,201)</u>	<u>(8,072,261)</u>
	8,691,223	8,629,668
Projects in progress	<u>100,000</u>	<u>81,783</u>
	<u><u>\$ 8,791,223</u></u>	<u><u>\$ 8,711,451</u></u>

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014 and 2013

NOTE D - INVESTMENTS

As of December 31, 2014 and 2013, cost and market values of investments are as follows:

	<u>Cost</u>	<u>Market value</u>	<u>Unrealized gain (loss)</u>
<u>December 31, 2014</u>			
Equity securities:			
Financial	\$ 5,375,570	\$ 6,887,660	\$ 1,512,090
Consumer growth	3,546,991	4,620,224	1,073,233
Consumer cyclicals	2,661,957	3,970,101	1,308,144
Technology	3,722,004	5,917,254	2,195,250
Energy	2,969,007	2,903,867	(65,140)
Other	6,407,595	7,614,798	1,207,203
Total equity securities	<u>24,683,124</u>	<u>31,913,904</u>	<u>7,230,780</u>
Fixed income mutual fund:			
Bernstein international duration institutional portfolio	22,294,059	22,232,566	(61,493)
International business trusts:			
Bernstein global style blend series	22,018,575	16,629,815	(5,388,760)
International value	7,707,094	7,410,176	(296,918)
Total international business trusts	<u>29,725,669</u>	<u>24,039,991</u>	<u>(5,685,678)</u>
Cash held for investment	1,349,536	1,349,536	-
	<u>\$ 78,052,388</u>	<u>\$ 79,535,997</u>	<u>\$ 1,483,609</u>
<u>December 31, 2013</u>			
Equity securities:			
Financial	\$ 5,692,989	\$ 7,246,140	\$ 1,553,151
Consumer growth	4,305,413	5,847,932	1,542,519
Consumer cyclicals	2,932,040	4,222,087	1,290,047
Technology	3,548,520	4,854,824	1,306,304
Energy	2,867,718	3,355,954	488,236
Other	4,549,920	5,986,544	1,436,624
Total equity securities	<u>23,896,600</u>	<u>31,513,481</u>	<u>7,616,881</u>
Fixed income mutual fund:			
Bernstein international duration institutional portfolio	19,372,923	19,316,920	(56,003)
International business trusts:			
Bernstein global style blend series	23,116,150	16,619,310	(6,496,840)
International value	3,197,364	7,737,137	4,539,773
Total international business trusts	<u>26,313,514</u>	<u>24,356,447</u>	<u>(1,957,067)</u>
Cash held for investment	404,865	404,865	-
	<u>\$ 69,987,902</u>	<u>\$ 75,591,713</u>	<u>\$ 5,603,811</u>

San Francisco Ladies' Protection and Relief Society
 NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014 and 2013

NOTE D - INVESTMENTS (continued)

For the years ended December 31, 2014 and 2013, net gains on investments consisted of the following:

	2014	2013
Net gain on investments	\$ 3,382,257	\$ 11,612,337
Classified in the statement of activities according to the following net asset classifications:		
Unrestricted net assets	\$ 3,351,439	\$ 11,581,970
Temporarily restricted net assets	30,818	30,367
	\$ 3,382,257	\$ 11,612,337

Cash withdrawn from marketable investment securities to fund current operations and capital projects totaled \$1,900,000 and \$5,939,713 in 2014 and 2013, respectively.

NOTE E - RESTRICTED NET ASSETS

Temporarily restricted net assets

At December 31, 2014 and 2013, temporarily restricted net assets consist of the following:

	2014	2013
The Arts Fund	\$ 5,035	\$ 7,764
Grace and Favor program	79,897	71,970
Employee Appreciation Fund	1,600	1,707
Out and About program	154,718	124,453
Gorman Fund	26,106	22,548
Technology Fund	10,578	-
Other	940	701
	\$ 278,874	\$ 229,143

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2014 and 2013

NOTE E - RESTRICTED NET ASSETS (continued)

Endowment fund

For the years ended December 31, 2014 and 2013, changes in endowment net assets are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - December 31, 2012	\$ 88,756	\$ 500,000	\$ 588,756
Investment return:			
Interest & dividends	11,404	-	11,404
Net gain on investment - net of investment management fees	29,205	-	(34,039)
Total investment return	40,609	-	(22,635)
Appropriated for expenditure	(4,912)	-	(4,912)
Endowment net assets - December 31, 2013	124,453	500,000	561,209
Contributions	5,100	-	5,100
Investment return:			
Interest & dividends	12,139	-	12,139
Net gain on investments - net of investment management fees	28,214	-	28,214
Total investment return	40,353	-	40,353
Appropriated for expenditure	(15,188)	-	(15,188)
Endowment net assets - December 31, 2014	<u>\$ 154,718</u>	<u>\$ 500,000</u>	<u>\$ 591,474</u>

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014 and 2013

NOTE F - RETIREMENT PLAN

401(k) Plan

The Society has a 401(k) plan which is available to eligible employees, twenty-one years and older, generally after 90 days of employment. The Society makes non-elective Safe Harbor contributions to the Plan of 4% of eligible compensation after one year of service. Employees who were participants in a terminated defined benefit plan receive additional contributions according to an age-weighted schedule and must meet certain requirements (as defined) for the age-weighted portion of their benefit. On August 29, 2013, the Plan was amended, to eliminate the provision for additional age-weighted contributions for employees who were participants in a terminated defined benefit plan, effective January 1, 2014.

The Society's contributions to the 401(k) Plan for the years ended December 31, 2014 and 2013 amounted to \$188,147 and \$216,342, respectively.

NOTE G - OTHER DISCLOSURES

In accordance with the requirements of the California Department of Social Services, the Society is required to disclose all amounts accumulated for contingencies or accumulated or expended for identified projects or purposes. At December 31, 2014, the Society has not accumulated any funds for contingencies.

SUPPLEMENTAL INFORMATION

San Francisco Ladies' Protection and Relief Society

SCHEDULES OF OPERATING EXPENSES

Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Food Service:		
Salaries and wages	\$ 705,749	\$ 812,641
Employee benefits	239,534	281,820
House supplies	34,199	30,089
Repairs and maintenance	66,381	67,174
Food purchases	475,160	414,435
Outside services	225,328	-
Contract maintenance	17,188	14,821
Management fees	46,422	44,109
Miscellaneous	20,789	19,843
Allocation of expenses to Health Center	(401,356)	(421,233)
	<u>1,429,394</u>	<u>1,263,699</u>
Housekeeping and Maintenance of Building and Grounds:		
Salaries and wages	475,010	484,946
Employee benefits	169,200	200,920
Household supplies	39,489	35,924
Repairs and maintenance of furnishings	42,179	19,123
Buildings and equipment repairs and maintenance	98,656	79,318
Contract maintenance	73,768	75,641
Security	113,057	114,177
Miscellaneous	11,126	6,444
	<u>1,022,485</u>	<u>1,016,493</u>
Health Center:		
Salaries and wages	2,416,953	2,293,017
Employee benefits	665,400	669,957
General supplies	45,110	50,373
Drugs and medical supplies	36,107	44,892
Repairs and maintenance	55,626	34,141
Medical services	35,642	43,642
Miscellaneous services and licenses	42,547	39,107
Telephone	4,082	2,686
Expenses allocated from other departments:		
Food Service	401,356	421,233
General and Administrative	635,612	564,349
	<u>4,338,435</u>	<u>4,163,397</u>
Residents' Outside Medical Fees	<u>21,888</u>	<u>22,233</u>

San Francisco Ladies' Protection and Relief Society
 SCHEDULES OF OPERATING EXPENSES (continued)

Years ended December 31, 2014 and 2013

	2014	2013
Activities:		
Salaries and wages	203,980	215,147
Employee benefits	68,081	82,018
Program activities	124,697	104,338
	396,758	401,503
 General and Administrative:		
Salaries and wages	884,889	853,871
Employee benefits	199,344	206,295
Office supplies	34,052	21,396
Contract maintenance	5,714	7,405
Accounting fees	47,600	44,200
Legal fees	62,681	39,105
Consulting fees	44,666	32,023
Telephone	25,277	24,733
Travel and conferences	31,777	28,333
Dues and other professional fees	94,843	84,448
Utilities	388,267	367,955
Insurance	141,414	132,991
Transportation	39,223	44,064
Planning and development	62,730	145,726
Miscellaneous	156,856	173,008
Allocation of expenses to Health Center	(635,612)	(564,349)
	1,583,721	1,641,204
Total operating expenses - Resident Services	\$ 8,792,681	\$ 8,508,529
 Public Nutrition Program:		
Salaries and wages	\$ 237,882	\$ 265,497
Employee benefits	86,561	107,179
Telephone	1,653	898
Food purchases	441,813	452,641
Miscellaneous	88,089	53,933
	\$ 855,998	\$ 880,148
Total operating expenses - Public Nutrition Program	\$ 855,998	\$ 880,148

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CONTINUING CARE
CONTRACTS BRANCH

San Francisco Ladies' Protection and Relief Society

CONTINUING CARE RESERVE REPORT AND
INDEPENDENT AUDITORS' REPORT

December 31, 2014

INDEPENDENT AUDITORS' REPORT

Board of Directors
San Francisco Ladies' Protection and Relief Society

Report on the Continuing Care Reserve Report

We have audited the accompanying continuing care reserve report (the "Report") of San Francisco Ladies' Protection and Relief Society (dba The Heritage or Heritage on the Marina) (the "Society"), as of December 31, 2014. The accompanying Report was prepared for the purpose of complying with California Health and Safety Code Section 1792 and is not intended to be a complete presentation of the Society's financial statements.

Management's Responsibility for the Report

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Report. The procedures selected depend on the auditors' 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 Society's preparation and fair presentation of the Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Report.

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

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, the Report presents fairly, in all material respects, the liquid reserve requirements of the Society as of December 31, 2014 in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

This report is intended solely for the information and use of the board of directors and management of the Society and for filing with the California Department of Social Services and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

DZH Phillips LLP

San Francisco, California
June 1, 2015

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:				\$0	\$0

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

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

PROVIDER: San Francisco Ladies' Protection and Relief Society

FORM 5-2
LONG-TERM DEBT INCURRED
DURING FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$0	\$0	0	\$0

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

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

PROVIDER: San Francisco Ladies' Protection and Relief Society

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$0
2	Total from Form 5-2 bottom of Column (e)	\$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	NONE
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$0

PROVIDER: San Francisco Ladies' Protection and Relief Society

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$10,165,619
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$0
	b. Credit enhancement premiums paid for long-term debt (see instructions)	NONE
	c. Depreciation	\$516,940
	d. Amortization	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$2,463,755
	f. Extraordinary expenses approved by the Department	NONE
3	Total Deductions	\$2,980,695
4	Net Operating Expenses	\$7,184,924
5	Divide Line 4 by 365 and enter the result.	\$19,685
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	<u>\$1,476,354</u>

PROVIDER: San Francisco Ladies' Protection and Relief Society

COMMUNITY: Heritage on the Marina

San Francisco Ladies' Protection and Relief Society

CONTINUING CARE RESERVE REPORT

Year ended December 31, 2014

FORM 5-4 CALCULATION OF NET OPERATING EXPENSES - LINE 2e

Revenue received during the fiscal year for services to residents who did not have a continuing care contract:

Processing fees	\$	10,500
Revenue from private health care center patients		1,540,803
Community services		831,107
Transportation		3,172
Guest charges (meals, room and parking)		53,503
Medical services		<u>24,670</u>
	\$	<u>2,463,755</u>

SCHEDULE I

San Francisco Ladies' Protection and Relief Society
CONTINUING CARE RESERVE REPORT (continued)

Year ended December 31, 2014

	<u>Per statement of cash flows</u>	<u>Amount included in Line 2e</u>
Private health center patient fees	<u>\$ 1,540,803</u>	<u>\$ 1,540,803</u>
Community services (Public Nutrition Program)		
Public nutrition program revenue	\$ 845,257	\$ 845,257
Public nutrition program costs	(855,998)	-
Change in accounts receivable - public nutrition program	<u>(14,150)</u>	<u>(14,150)</u>
	<u>\$ (24,891)</u>	<u>\$ 831,107</u>
Other cash receipts		
Processing fees	\$ 10,500	\$ 10,500
Transportation	3,172	3,172
Guest charges (meals, room and parking)	53,503	53,503
Medical support services	24,670	24,670
Other receipts	<u>57,985</u>	<u>-</u>
	<u>\$ 149,830</u>	<u>\$ 91,845</u>
Total - Line 2e		<u>\$ 2,463,755</u>

SCHEDULE II

San Francisco Ladies' Protection and Relief Society
CONTINUING CARE RESERVE REPORT (continued)

Year ended December 31, 2014

FORM 5-5: ANNUAL RESERVE CERTIFICATION

The Society maintains the following reserves as of December 31, 2014:

Operating reserves	\$ 1,476,354
Funds restricted by donors	<u>778,874</u>
	<u>\$ 2,255,228</u>

PER CAPITA COST OF OPERATIONS

During December 31, 2014, the per capita cost of operations is as follows:

Operating expenses	\$ 10,165,618
Mean number of CCRC residents	<u>86</u>
Per capita cost of operations	<u>\$ 118,205</u>

San Francisco Ladies' Protection and Relief Society

FORM 5-5 DESCRIPTION OF RESERVES UNDER SB 1212

Year ended December 31, 2014

Total qualifying assets as filed:	
Cash and cash equivalents	\$ 1,776,719
Equity securities *	<u>78,186,461</u>
Total qualifying assets as filed	<u>79,963,180</u>
Reservations and designations:	
Reserve obligation amount	1,476,354
Temporarily and permanently restricted	<u>778,874</u>
	<u>2,255,228</u>
Remaining liquid reserves	<u>\$ 77,707,952</u>
* Equity securities include:	
Equity securities	\$ 31,913,904
Fixed income mutual funds	22,232,566
International business trusts	<u>24,039,991</u>
	<u>\$ 78,186,461</u>

San Francisco Ladies' Protection and Relief Society

FORM 5-5 FUNDS EXPENDED FOR PROJECTS UNDER AB 1169

Year ended December 31, 2014

During the year ended December 31, 2014, the Society expended \$596,711 for capital projects as follows:

Furniture and fixtures	\$ 38,309
Building improvements	458,402
Projects in progress	<u>100,000</u>
	<u>\$ 596,711</u>

SCHEDULE V

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

Date Prepared: 5/26/15



FACILITY NAME: The Heritage or Heritage on the Marina
 ADDRESS: 3400 Laguna Street, San Francisco, CA ZIP CODE: 94123 PHONE: (415) 202-0300
 PROVIDER NAME: San Francisco Ladies' Protection & Relief Society FACILITY OPERATOR: San Francisco Ladies' Protection & Relief Society
 RELATED FACILITIES: None RELIGIOUS AFFILIATION: None CONTINUING CARE CONTRACTS BRANCH
 YEAR OPENED: 1853 NO. OF ACRES: 3+ MULTI-STORY: _____ SINGLE STORY: _____ BOTH: X
 MILES TO SHOPPING CTR: 0.2 miles MILES TO HOSPITAL: 2 miles

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>44</u>	ASSISTED LIVING <u>20</u>
APARTMENTS - 1 BDRM	<u>21</u>	SKILLED NURSING <u>32</u>
APARTMENTS - 2 BDRM	<u>2</u>	SPECIAL CARE _____
COTTAGES/HOUSES	<u>1</u>	DESCRIBE SPECIAL CARE: _____
% OCCUPANCY AT YEAR END	<u>82.61%</u>	

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N BY: _____

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

REFUND PROVISIONS (Check all that apply): 90% 75% 50% PRORATED TO 0% OTHER:

RANGE OF ENTRANCE FEES: \$0 TO \$250,000 LONG-TERM CARE INSURANCE REQUIRED? Y N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Yes

ENTRY REQUIREMENTS: MIN. AGE: 65 PRIOR PROFESSION: N/A OTHER: No Max. Age

FACILITY SERVICES AND AMENITIES

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

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	64,953,801	5,001,300	4,818,055	5,747,870
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	8,108,360	8,752,977	9,388,677	9,648,679
NET INCOME FROM OPERATIONS	(3,154,559)	(3,751,677)	(4,570,622)	(3,900,809)
LESS INTEREST EXPENSE				
PLUS CONTRIBUTIONS	245,384	61,990	49,149	33,257
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	(1,892,206)	7,303,467	14,073,703	6,009,959
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(4,801,381)	3,613,780	9,552,230	2,142,407
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	1,330,000	719,762	375,000	2,784,100

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50 th Percentile (optional)	2012	2013	2014
DEBT TO ASSET RATIO		N/A	N/A	N/A
OPERATING RATIO		1.75	1.95	1.91
DEBT SERVICE COVERAGE RATIO		N/A	N/A	N/A
DAYS CASH-ON-HAND RATIO		2,781	2,923	3,025

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

	2011	%	2012	%	2013	%	2014
STUDIO	2,656	4.0	2,744	6.0	2,911	4.0	2,798
ONE BEDROOM	2,549	2-4.0	4,634	2.6	4,755	4.0	5,088
TWO BEDROOM	N/A		N/A		N/A		
COTTAGE/HOUSE	5,625	4.0	5,850	4.0	6,083	4.0	6,302
ASSISTED LIVING	2,656	4.0	2,744	6.0	2,911	4.0	2,843
SKILLED NURSING	2,656	4.0	2,744	6.0	2,911	4.0	2,164
SPECIAL CARE	N/A		N/A		N/A		

COMMENTS FROM PROVIDER:

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

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)	\$350 - \$4,331 Per resident	\$350-\$5,275 Per Resident	\$350 - \$2,164 Per Resident
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.2%	3.2%	3.2%

- 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: July 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: San Francisco Ladies' Protection and Relief Society
COMMUNITY: The Heritage or Heritage on the Marina

San Francisco Ladies' Protection and Relief Society

FORM 7-1 ADJUSTMENTS IN MONTHLY CARE FEES

Year ended December 31, 2014

Adjustments to monthly fees

The Society life care contracts do not specify a rate or dollar amount that monthly fees may be raised on an annual basis. The contract allows for adjustments periodically as deemed necessary based on financial indicators. The Board of Directors is responsible for reviewing financial indicators and recommending increases. Increases are determined on a case by case basis within the parameters set by the Board based on individual resident's factors. In some past years, there was no increase in fees. The average increase in the current year was approximately 3.2%.

The monthly care revenues are from health center monthly fees and regular resident monthly fees. The total for the year ended December 31, 2014 was \$3,280,464.

Residents move between independent living, assisted living, and skilled nursing. The Society does not track fees by facility, but rather in the aggregate.



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JUN 29 2015

CONTINUING CARE
CONTRACTS BRANCH

June 15, 2015

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

Re: San Francisco Ladies' Protection and Relief Society dba The Heritage

To Whom It My Concern:

Please find enclosed one original signed copy plus 5 copies each of our Key Indicators report.

Respectfully,

A handwritten signature in black ink, appearing to read "J. T. Conroy III", written over a horizontal line.

Joseph T. Conroy III
Controller
Heritage on the Marina
415-202-0308
jconroy@heritagesf.org

RETIREMENT LIVING SAN FRANCISCO STYLE

3400 Laguna Street, San Francisco, CA 94123-2271 | P: 415.202.0300 | F: 415.292.7080 | www.heritagesf.org

Date Prepared: 6/12/2015

San Francisco Ladies Protection & Relief Society

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

KEY INDICATORS REPORT

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Chief Executive Officer Signature

	Forecast										Preferred Trend Indicator
	2010	2011	2012	2013	2014	2015	2017	2018	2019	2019	
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	82.40%	86.60%	92.86%	83.60%	83.60%	93.40%	94.30%	94.30%	94.30%	94.30%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	-88.80%	-49.96%	-57.35%	-60.00%	-54.20%	-39.60%	-37.80%	-38.90%	-40.00%	-40.00%	↓
3. Net Operating Margin - Adjusted (%)	-47.41%	-21.46%	-40.14%	-50.90%	-8.40%	-27.30%	-25.80%	-27.10%	-28.30%	-28.30%	↑
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments (\$000)	\$67,936	\$63,569	\$66,688	\$75,223	\$79,184	\$81,258	\$85,733	\$88,201	\$90,817	\$90,817	↑
5. Days Cash on Hand (Unrestricted)	3469	2862	2781	3232	3282	3359	3458	3438	3422	3422	↓
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees (\$000)	\$3,321	\$3,938	\$3,995	\$3,476	\$5,418	\$5,362	\$5,299	\$5,268	\$5,236	\$5,236	N/A
7. Net Annual E/F proceeds (\$000)	\$1,111	\$1,330	\$720	\$375	\$2,784	\$701	\$725	\$725	\$725	\$725	N/A
8. Unrestricted Net Assets (\$000)	\$69,793	\$65,334	\$69,243	\$79,710	\$82,065	\$84,215	\$88,305	\$90,847	\$93,542	\$93,542	N/A
9. Annual Capital Asset Expenditure (\$000)	\$692	\$824	\$925	\$2,577	\$597	\$975	\$2,975	\$975	\$975	\$975	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	N/A	↑									
11. Annual Debt Service Coverage (x)	N/A	↑									
12. Annual Debt Service/Revenue (%)	N/A	↓									
13. Average Annual Effective Interest Rate (%)	N/A	↓									
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	N/A	↑									
15. Average Age of Facility (years)	20.11	17.78	16.13	15.44	16.62	16.27	15.92	15.88	15.91	15.91	↓