PJ XT

FISCAL YEAR ENDED:
7 12/31/14.

ANNUAL REPORT CHECKLIST

RECEIVED
MAY 01 2015
CCLD / ADULT AND SENIOR CARE PROGRAM
CENTRALIZED APPLICATIONS UNIT

PROVIDER(S): _____SOLHEIM LUTHERAN HOME______

CCRC(S): _____SOLHEIM LUTHERAN HOME__________________

PROVIDER CONTACT PERSON: ____ANTONIO DAVILA________________

TELEPHONE NO.: (_323_) __257-7518_ EMAIL: __ADavila@solheimlutheran.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: $ 5,207________________
- ☐ If applicable, late fee in the amount of: $___________

☒ Certification by the provider's ***Chief Executive Officer*** that:
- ☒ The reports are correct to the best of his/her knowledge.
- ☒ Each continuing care contract form in use or offered to new residents has been approved by the Department.
- ☒ The provider is maintaining the required *liquid* reserves and, *when applicable*, the required refund reserve.

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

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

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

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

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

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

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

solheim
lutheran
home

2236 merton avenue
los angeles
(eagle rock)
california
90041-1915
323 257 7518
fax 323 255 3544
www.solheimlutheran.org

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April 28, 2015

Ms. Allison Nakatomi, Manager
Department of Social Services
Continuing Care Contracts Branch
744 P Street, MS 8-3-90
Sacramento, CA 95814

RE: 2014 Annual Report

Dear Ms. Nakatomi:

Via this letter, I certify that:

- The Annual Report and its supplemental forms are correct to the best of my knowledge
- Each continuing care contract in use at Solheim Lutheran Home has been approved by your department
- Solheim maintains the required liquid reserve. No reserves for prepaid continuing care contracts or refund reserves are required to be maintained

If you have any questions please contact Antonio Davila, Chief Financial Officer, at (323) 257-7518 Ext 227

Sincerely,

Jim Graunke
Executive Director

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	72
[2]	Number at end of fiscal year	71
[3]	Total Lines 1 and 2	143
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	71.5
	All Residents	
[6]	Number at beginning of fiscal year	144
[7]	Number at end of fiscal year	142
[8]	Total Lines 6 and 7	286
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	143
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.50

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$11,109,516
[a]	Depreciation	$615,540	
[b]	Debt Service (Interest Only)	$80,340	
[2]	Subtotal (add Line 1a and 1b)		$695,880
[3]	Subtract Line 2 from Line 1 and enter result.		$10,413,636
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		50%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$5,206,818
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$5,207

PROVIDER: SOLHEIM LUTHERAN HOME
COMMUNITY

SOLHLUT-01 MJOHNSON

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 1/10/2014

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

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

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CCLD ADULT AND SENIOR CARE PROGRAM
CENTRALIZED APPLICATIONS UNIT

PRODUCER
Lutheran Trust
1500 Wall St.
Saint Charles, MO 63303

CONTACT NAME: Maliea K. Johnson
PHONE (A/C, No, Ext): (800) 200-7257 FAX (A/C, No): (866) 608-0600
E-MAIL ADDRESS: maliea@ltcam.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : GuideOne Mutual Insurance Company	15032
INSURER B : GuideOne Specialty Mutual Insurance Company	14559
INSURER C : Arch Specialty Ins. Company	21199
INSURER D :	
INSURER E :	
INSURER F :	

INSURED
Solheim Lutheran Home
2236 Merton Avenue
Mr. Antonio Davila
Los Angeles, CA 90041-1915

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

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

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
	GENERAL LIABILITY [ ] COMMERCIAL GENERAL LIABILITY [ ] CLAIMS-MADE [ ] OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: [ ] POLICY [ ] PRO-JECT [ ] LOC						EACH OCCURRENCE	$
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$
							MED EXP (Any one person)	$
							PERSONAL & ADV INJURY	$
							GENERAL AGGREGATE	$
							PRODUCTS - COMP/OP AGG	$
								$
A	AUTOMOBILE LIABILITY [X] ANY AUTO [ ] ALL OWNED AUTOS [ ] SCHEDULED AUTOS [X] HIRED AUTOS [X] NON-OWNED AUTOS [X] HCPD Comp [X] Coll $500			6011-077	12/1/2013	12/1/2014	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (PER ACCIDENT)	$
								$
	[ ] UMBRELLA LIAB [ ] OCCUR [ ] EXCESS LIAB [ ] CLAIMS-MADE [ ] DED [ ] RETENTION $						EACH OCCURRENCE	$
							AGGREGATE	$
								$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? [ ] (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A					WC STATU-TORY LIMITS / OTH-ER	
							E.L. EACH ACCIDENT	$
							E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$
B	Property			1260-492	12/1/2013	12/1/2014	Property Blanket	20,656,700
C	Directors & Officers			NFP0093375-01	12/1/2013	12/1/2014	D&O with EPLI	1,000,000

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

Property - Special Including Theft, 100% Coinsurance, $500 Deductible, Agreed Value, Inflation Protection and Replacement Cost apply.

Crime - Bond Form A - Employee Dishonesty $1,000,000 Limit with $100 Deductible
Bond Form B - Forgery & Alterations $1,000,000 Limit with $100 Deductible
Bond Form C - Theft, Disapperance & Destruction $5,000 Premises Limit with $100 deductible, $5,000 Messengers Limit with $100 deductible.

CERTIFICATE HOLDER

State of California Department of Social Services
744 P Street, MS 8-3-90
Sacramento, CA 95814

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Kurt M. [signature]

SOLHLUT-01 MJOHNSON

ACORD

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 11/26/2014

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MAY 01 2015

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1500 Wall St.
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CONTACT NAME: Maliea K. Johnson
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INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
	COMMERCIAL GENERAL LIABILITY; CLAIMS-MADE; OCCUR; GEN'L AGGREGATE LIMIT APPLIES PER: POLICY; PRO-JECT; LOC; OTHER:						EACH OCCURRENCE	$
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$
							MED EXP (Any one person)	$
							PERSONAL & ADV INJURY	$
							GENERAL AGGREGATE	$
							PRODUCTS - COMP/OP AGG	$
								$
A	AUTOMOBILE LIABILITY; X ANY AUTO; ALL OWNED AUTOS; SCHEDULED AUTOS; X HIRED AUTOS; X NON-OWNED AUTOS; X HCPD $500 Comp; X $500 Coll			6011-077	12/01/2014	12/01/2015	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
	UMBRELLA LIAB; OCCUR; EXCESS LIAB; CLAIMS-MADE; DED; RETENTION $						EACH OCCURRENCE	$
							AGGREGATE	$
								$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N; ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH); If yes, describe under DESCRIPTION OF OPERATIONS below	N/A					PER STATUTE; OTH-ER	
							E.L. EACH ACCIDENT	$
							E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$
B	Property			1260-492	12/01/2014	12/01/2015	Blanket Limit	21,627,000
C	Directors & Officers			NFP0093375-01	12/01/2014	12/01/2015	D&O with EPLI & FID	1,000,000

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State of California Department of Social Services
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AUTHORIZED REPRESENTATIVE

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CENTRALIZED APPLICATIONS UNIT

Financial Statements

SOLHEIM LUTHERAN HOME

For the Years Ended December 31, 2014 and 2013

CONTENTS

SOLHEIM LUTHERAN HOME
DECEMBER 31, 2014

BOARD MEMBERS AND OFFICERS

PRESIDENT	Joel F. Miller
VICE PRESIDENT	James Tranquada
SECRETARY	Dr. Jill M. Brink, Ph.D.
TREASURER	Adam Sisson, CPA
EXECUTIVE DIRECTOR	James W. Graunke
CHIEF FINANCIAL OFFICER	Antonio Davila
MEMBER	Audrey Bahr
MEMBER	Jim Barber
MEMBER	Paul Egge
MEMBER	Paul Jacques
MEMBER	Dr. Ralph Jung, M.D.
MEMBER	Tracy King
MEMBER	Rev. Kathleen Richter
MEMBER	Alexandra Smyser
MEMBER	Susan Stark
MEMBER	David C. Starleaf, Esq.
MEMBER	Masa Suzuki
BISHOP, SOUTHWEST CALIFORNIA SYNOD, ELCA	Rev. R. Guy Erwin
RESIDENT REPRESENTATIVE	Mary McCorkle

MARTIN WERBELOW LLP
CERTIFIED PUBLIC ACCOUNTANTS
300 NO. LAKE AVE., STE. 930, PASADENA, CA 91101
TEL: (626) 577-1440 FAX: (626) 577-1082

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Solheim Lutheran Home
Los Angeles, California

We have audited the accompanying financial statements of Solheim Lutheran Home (a nonprofit health care entity), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Solheim Lutheran Home 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 conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year management discovered that it had not recorded an irrevocable split-interest agreement received in 2006. Our opinion is not modified with respect to that matter.

Martin Werhelow LLP

April 28, 2015

SOLHEIM LUTHERAN HOME
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS

	2014	2013 (Restated)
Current Assets		
Cash and cash equivalents	$ 1,543,757	$ 401,358
Cash and investments held by bond indenture trustee for current debt payments	561,728	544,908
Investments (Note 5)	2,695,872	2,663,551
Accounts receivable, net (Note 2)	624,391	683,794
Contribution receivable (Note 3)	300,000	1,500,000
Other receivables	42,617	108,398
Prepaid expenses and other current assets	154,485	135,806
Total Current Assets	5,922,850	6,037,815
Assets Whose Use is Limited		
Cash and investments held by bond indenture trustee (Note 4)	848,877	839,533
Less portion available to satisfy current debt service	561,728	544,908
Noncurrent portion	287,149	294,625
Investments - board designated and temporarily restricted (Note 5)	1,364,764	704,421
Total Assets Whose Use is Limited	1,651,913	999,046
Split-interest Agreement, net	14,664	22,117
Facilities and Equipment, Net (Note 8)	4,754,014	4,758,543
Real Estate Held for Investment and Future Expansion, Net (Note 9)	1,397,803	1,397,803
Deferred Costs and Other Assets (Note 10)	409,808	448,178
Total Assets	$14,151,052	$13,663,502

The accompanying notes are an integral part of these statements.

SOLHEIM LUTHERAN HOME
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013
(continued)

LIABILITIES AND NET ASSETS

	2014	2013 (Restated)
Current Liabilities		
Accounts payable	$ 311,556	$ 451,936
Accrued payroll and payroll taxes	196,541	174,095
Accrued vacation and personal time	236,696	232,523
Long-term debt, current portion (Note 11)	589,385	567,811
Refundable entrance fees, current	174,106	275,693
Accrued interest	14,162	17,483
Total Current Liabilities	1,522,446	1,719,541
Other Liabilities		
Long-term debt, net of current portion (Note 11)	1,739,251	2,328,497
Refundable entrance fees, long-term	25,625	28,315
Deferred revenue - entrance fees	2,020,835	1,934,038
Total Other Liabilities	3,785,711	4,290,850
Total Liabilities	5,308,157	6,010,391
Net Assets		
Unrestricted net assets		
General Fund	7,163,467	6,626,573
Board Designated Fund for Benevolence	1,264,408	633,732
Board Designated Fund for Capital Replacement	50,353	50,192
Total Unrestricted Net Assets	8,478,228	7,310,497
Temporarily restricted net assets	364,667	342,614
Permanently restricted net assets	-	-
Total Net Assets	8,842,895	7,653,111
Total Liabilities and Net Assets	$14,151,052	$13,663,502

The accompanying notes are an integral part of these statements.

SOLHEIM LUTHERAN HOME
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013 (Restated)
Changes in Unrestricted Net Assets		
Operating Revenues		
Resident fees - Skilled Nursing	$ 6,131,935	$ 5,790,235
Resident fees - Residential	731,699	612,495
Resident fees - Assisted Living	1,238,108	1,267,322
Resident fees - Memory Care	1,986,111	1,964,785
Ancillary services to residents	614,655	672,995
Other monthly fees	38,468	48,601
Entrance fees earned	585,694	824,660
Processing fees	5,000	8,000
Interest and dividends	96,008	100,206
Contributions - bequests	-	1,287,500
Contributions - other	104,912	156,842
Net realized gains on investments	160,232	37,343
Net rental loss (Note 14)	(40,624)	(42,495)
Other income	29,894	15,007
Net assets released from restrictions	42,838	18,409
Total Operating Revenues	11,724,930	12,761,905
Operating Expenses		
Departmental Expenses		
Skilled nursing	3,058,992	3,030,362
Residential, Assisted Living, and Memory Care	1,646,155	1,648,133
Administration	1,583,482	1,432,186
Dietary	1,459,519	1,396,487
Maintenance	860,430	851,955
Marketing and fund development	594,548	663,695
Activities	550,685	560,394
Housekeeping	222,310	215,133
Laundry	203,082	219,180
In-service education	87,440	84,264
Social services	64,162	61,784
Total Departmental Expenses	10,330,805	10,163,573
Other Expenses		
Depreciation	615,540	580,491
Amortization	38,370	38,370
Interest expense	80,340	98,326
Equipment leases	17,405	23,510
Property taxes and insurance	27,056	27,378
Total Other Expenses	778,711	768,075
Total Operating Expenses	11,109,516	10,931,648
Change in Unrestricted Net Assets from Operations	615,414	1,830,257
Other Changes in Unrestricted Net Assets		
Net unrealized gain (loss) on investments	(29,001)	352,536
Gain on disposal of property and equipment	581,318	-
Change in Unrestricted Net Assets	1,167,731	2,182,793

The accompanying notes are an integral part of these statements.

SOLHEIM LUTHERAN HOME
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

	2014	2013 (Restated)
Changes in Temporarily Restricted Net Assets		
Contributions		
Bequest	$ -	$ 300,000
Charity care	17,230	9,265
Acquisitions of facilities and equipment	17,953	7,105
Activities and other programs	37,161	11,092
Contributions	72,344	327,462
Change in Value of Split-interest Agreement	(7,453)	(975)
Net Assets Released from Restrictions		
Funds used for charity care	(5,085)	(6,400)
Funds used for facilities and equipment	(4,920)	(5,939)
Funds used for activities and other programs	(32,833)	(6,070)
Net Assets Released from Restrictions	(42,838)	(18,409)
Change in Temporarily Restricted Net Assets	22,053	308,078
Changes in Permanently Restricted Net Assets		
Earnings on permanently restricted net assets	-	483
Change in Net Assets	1,189,784	2,491,354
Net Assets, Beginning of Year	7,653,111	5,161,757
Net Assets, End of Year	$ 8,842,895	$ 7,653,111

The accompanying notes are an integral part of these statements.

SOLHEIM LUTHERAN HOME
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013 (Restated)
Unrestricted Net Assets		
Unrestricted Net Assets in General Fund		
Balance, beginning of year	$ 6,626,573	$ 4,565,300
Change in General Fund net assets	1,167,731	2,182,793
Transfers to Board Designated Fund for Benevolence	(600,000)	(43,750)
Transfer to Board Designated Fund for Capital Replacement	(161)	(11)
Transfer of investments earnings to Board Designated Fund for Benevolence	(30,676)	(77,759)
Balance, End of Year	7,163,467	6,626,573
Board Designated Fund for Benevolence		
Balance, beginning of year	633,732	512,223
Transfers from General Fund	600,000	43,750
Earnings on Board Designated Fund for Benevolence	30,676	77,759
Balance, End of Year	1,264,408	633,732
Board Designated Fund for Capital Replacement		
Balance, beginning of year	50,192	50,181
Transfer from General Fund	161	11
Balance, End of Year	50,353	50,192
Total Unrestricted Net Assets, End of Year	$ 8,478,228	$ 7,310,497
Temporarily Restricted Net Assets		
Balance, beginning of year	342,614	25,456
Change in temporarily restricted net assets	22,053	308,078
Reclassification of net assets consistent with donor intent	-	9,080
Balance, End of Year	$ 364,667	$ 342,614
Permanently Restricted Net Assets		
Balance, beginning of year	-	8,597
Change in permanently restricted net assets	-	483
Reclassification of net assets consistent with donor intent	-	(9,080)
Balance, End of Year	$ -	$ -

The accompanying notes are an integral part of these statements.

SOLHEIM LUTHERAN HOME
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013 (Restated)
Cash Flows from Operating Activities		
Cash received from residents for monthly services	$ 10,714,217	$ 10,344,874
Cash received from residents for entrance fees	882,500	802,800
Cash received from services to others	123,379	22,291
Interest and dividends received	96,008	100,689
Contributions received	1,377,256	264,229
Cash paid to employees and suppliers	(10,507,706)	(10,277,197)
Interest paid on long-term debt	(113,127)	(132,584)
Net Cash Provided by Operating Activities	2,572,527	1,125,102
Cash Flows from Investing Activities		
Purchases of investments	(1,805,854)	(2,093,991)
Sales of investments	1,234,429	1,585,233
Net cash transferred (to) from trustee	(9,344)	1,733
Purchases of facilities and equipment	(843,642)	(502,276)
Proceeds from sale of property	790,941	-
Deferred costs related to future expansion	-	(11,040)
Net Cash Used in Investing Activities	(633,470)	(1,020,341)
Cash Flows from Financing Activities		
Entrance fees refunded	(228,986)	(151,770)
Principal payment on long-term debt	(567,672)	(550,982)
Net Cash Used in Financing Activities	(796,658)	(702,752)
Increase (Decrease) in Cash and Cash Equivalents	1,142,399	(597,991)
Cash and Cash Equivalents, Beginning of Year	401,358	999,349
Cash and Cash Equivalents, End of Year	$ 1,543,757	$ 401,358

The accompanying notes are an integral part of these statements.

SOLHEIM LUTHERAN HOME
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

	2014	2013 (Restated)
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	$ 1,189,784	$ 2,491,354
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	615,540	580,491
Amortization of bond issuance costs	38,370	38,370
Amortization of entrance fees	(585,694)	(824,660)
Provision for doubtful accounts	9,729	(38,185)
Net realized gains on investments	(160,232)	(37,343)
Net unrealized (gains) losses on investments	29,001	(352,536)
Gain on sale of property	(581,318)	-
Change in value of split-interest agreement	7,453	975
(Increase) decrease in:		
Accounts receivable	49,674	(110,245)
Contribution receivable	1,200,000	(1,500,000)
Other receivables	65,781	(108,398)
Prepaid expenses and other current assets	(18,679)	(2,275)
Increase (decrease) in:		
Accounts payable	(140,380)	154,887
Accrued payroll and payroll taxes	22,446	12,876
Accrued vacation and personal time	4,173	(6,028)
Accrued interest	(3,321)	(3,095)
Deferred revenue - entrance fees and refundable entrance fees	830,200	828,914
Net Cash Provided by Operating Activities	$ 2,572,527	$ 1,125,102

The accompanying notes are an integral part of these statements.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Mission Statement
To provide abundant living for older adults in a caring, faith-based community filled with love, peace, dignity, and security.

General
Solheim Lutheran Home ("Solheim") is a not-for-profit continuing care retirement community located in the city of Los Angeles and is affiliated with the Evangelical Lutheran Church in America ("ELCA") as a social ministry organization. Solheim is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code ("IRC") and is regulated by the California Department of Public Health and by the California Department of Social Services, Community Care Licensing, and Continuing Care Contracts Branch.

Solheim has a total capacity of 182 residents who reside at four care levels: residential, assisted living, memory care, and skilled nursing: 61 persons in residential and assisted living, 45 persons in the Morgan and Anna Halvorson Special Care Unit for those with Alzheimer's disease and other forms of cognitive impairment, and 76 persons in the Elizabeth C. Batchelder Skilled Nursing Facility. The Skilled Nursing Facility is certified under both Medi-Cal (State program) and Medicare (Federal program).

Lutheran Health Ministries of the Foothills ("LHMF"), together with Solheim as fiscal agent (providing administrative support only), support a health ministries program, which provides a parish nurse, visitation pastor and health promotion activities to parishioners and seniors in the cities of Glendale and La Canada-Flintridge.

Basis of Accounting
Solheim uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

Basis of Presentation
Solheim's financial statement presentation follows the recommendations prescribed by U.S. GAAP. In accordance with U.S. GAAP, Solheim is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and Cash Equivalents
Solheim considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments
All investments of Solheim, including those held by its trustee, are carried at fair value in accordance with U.S. GAAP. Unrealized gains and losses are included in the change in unrestricted net assets in the accompanying statements of activities. Donated securities are recorded at their market value at the date of donation. Dividends and interest income are recorded when earned.

Investment management fees were $17,687 and $16,827, for December 31, 2014 and 2013, respectively.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Other-Than-Temporary Impairments of Investments

Solheim determines whether a decline in the fair value of investments below the cost basis is other-than-temporary based on objective evidence as well as subjective factors including knowledge of recent events and assumptions regarding future events. If the decline in fair value is judged to be other-than-temporary, the cost basis of the individual security is written down to fair value as a new cost basis and the amount of the write-down is included in operating revenues and expenses.

Accounts Receivable

Solheim carries its accounts receivable at cost less allowance for uncollectible accounts. Solheim provides for an allowance for uncollectible accounts based on management's assessment of the collectability of existing specific accounts, a history of past write-offs, and collections. Accounts receivable are written off as uncollectible at the time management determines that collection is unlikely.

Contribution Receivable

The contribution receivable at December 31, 2014 and 2013, represents an estate gift that is due and not received as of the financial statement date. Contributions expected to be collected in one year are recorded as revenue and a receivable at net realizable value, which approximates fair value. No allowance for uncollectible contribution receivable is provided as management has determined that it is fully collectible.

Split-interest Agreement, Prior Period Adjustment and Restatement

During 2014 management discovered that it had not recorded an irrevocable split-interest agreement received in 2006. Accordingly, the 2013 financial statements have been restated to reflect these changes as follows:

	December 31, 2013		
	As Previously Reported	Restatement	As Restated
Split-interest agreement, net	$ -	$ 22,117	$ 22,117
Temporarily restricted net assets, beginning of year	2,364	23,092	25,456
Temporarily restricted net assets, end of year	320,497	22,117	342,614
Total net assets, beginning of year	5,138,665	23,092	5,161,757
Total net assets, end of year	7,630,994	22,117	7,653,111
Change in value of split-interest agreement	-	(975)	(975)
Change in temporarily restricted net assets	309,053	(975)	308,078
Change in total net assets	2,492,329	(975)	2,491,354

Solheim is the named trustee on an irrevocable split-interest agreement. The donor has made a contribution to Solheim in exchange for a promise by Solheim to pay fixed amounts for a specified time to the beneficiary (the life of the beneficiary). The assets contributed are recognized at fair value when received and a liability is recognized for the amounts due to the beneficiary at the present value of future cash flows using a discount rate prevalent at the date of the gift. The discount rate used was 0.36%.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Split-interest Agreement, Prior Period Adjustment and Restatement (continued)
The split-interest agreement comprises the following:

	2014	2013
Assets	$ 42,209	$ 51,426
Liabilities	(27,545)	(29,309)
	$ 14,664	$ 22,117

Facilities and Equipment
Depreciation on facilities and equipment is computed on a straight-line basis, with useful lives ranging from five to forty years, depending on the asset category. Acquisitions of $500 or more with a useful life of more than two years are capitalized. Purchased assets are recorded at cost. Donated assets are recorded at estimated fair value at date of donation. Repairs and maintenance are charged to expense in the period incurred; major renewals and betterments are capitalized. Construction in progress consists of costs incurred on remodel projects or fixed asset purchases that have not been placed in service as of year-end. Depreciation starts once the related assets are placed in service.

Deferred Revenue – Entrance Fees and Refundable Entrance Fees
For the right to become a continuing care resident of Solheim, residents are required to pay an entrance fee, a portion of which may be refundable based on the length of stay in the community. If the resident or Solheim cancels the contract within the first ninety days of occupancy, the entire fee is refundable. If the resident stays more than ninety days, the refundable portion of the fee is prorated on a monthly basis over the first three years of occupancy. Residents not on a continuing care contract pay a higher monthly fee.

Entrance fees applicable to residents entering the community are being earned over the anticipated life expectancies of these residents. The life expectancies of the continuing care residents used to record revenue earned for accounting purposes are adjusted each year based on the table developed by the state of California.

The amount of entrance fees expected to be refunded to current residents is estimated based on Solheim's historical refund experience and Solheim's refund policy.

At December 31, 2014 and 2013, an estimated $1,098,000 and $970,000, respectively, was contractually refundable. These amounts represent the amount due to residents if all were to cancel their contracts as of December 31, 2014 and 2013 based on Solheim's refund policy. The contractually refundable amount is included in deferred revenue from entrance fees and refundable entrance fees (current and long-term) in the accompanying statements of financial position.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Obligations to Provide Future Services and Use of Facilities to Current Residents
If the present value of estimated future cash outflows to provide services to residents exceeds the present value of estimated future cash inflows from residents, a liability is recognized. Solheim's computation has been made which indicated that as of December 31, 2014 and 2013, the estimated amounts received or to be received from current continuing care residents will exceed the estimated costs of providing future services and use of facilities to those residents. Consequently, no liability is shown on the statements of financial position at either date. For the years ended December 31, 2014 and 2013, the discount rate used for this calculation was 3% percent.

The California Health and Safety Code Section 1790 mandate a statutory reserve and a liquid asset requirement. The mandates were met for the years ending December 31, 2014 and 2013.

Workers' Compensation and Liability Insurance
Solheim is self-insured for workers' compensation. Solheim participates with other self-insured members with a California not-for-profit mutual benefit corporation. Each member is jointly and severally liable for the expenses and obligations of the group and for the workers' compensation liability of all members incurred while a member of the group. As part of Solheim's membership, a one-time capital contribution of $118,617 was paid in 2003, and the entire amount of this capital contribution has been returned to Solheim as of June 1, 2008. Additionally, Solheim is required to pay an annual premium.

Solheim participates in a risk retention group for its liability insurance. The liability of Solheim is limited to the amount of funds contributed in its custodial account, and Solheim is not responsible for any other participating members' liabilities. Solheim is required to pay an annual premium.

Net Assets
Solheim's net assets comprise the following:

Unrestricted Net Assets
Unrestricted net assets represent the portion of expendable net assets that are neither permanently restricted nor temporarily restricted by donor-imposed restrictions. These net assets are available for support of the ordinary operations and administration of Solheim. Unrestricted net assets also include board designated net assets. These board designated net assets include:

- Board Designated Fund for Benevolence – to be used for supporting charitable care to residents. Effective January 1, 2014, the Board of Directors redesigned the fund to not function as an endowment.
- Board Designated Fund for Capital Replacement – created pursuant to the terms of the 2004 Refunding Revenue Bonds. Solheim is obligated to increase the reserve in future years in accordance with the increases in the consumer price index if its equipment purchases and the repair and maintenance expense of its facilities do not exceed the reserve amount.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Net Assets (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets represent net assets that result from contribution and other inflows of assets whose use by Solheim is limited by donor-imposed restrictions that either expire by passage of time or can be satisfied by actions of Solheim.

Permanently Restricted Net Assets

Permanently restricted net assets represent net assets that result from contributions and other inflows of assets whose use by Solheim is limited by donor-imposed restrictions that neither expire by passage of time, nor can be fulfilled and removed by actions of Solheim pursuant to those restrictions. During 2013, management reclassified $9,080 from permanently restricted net assets to temporarily restricted net assets, consistent with donor intent.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted contributions are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Temporarily restricted contributions are reported as such, until the restrictions specified by the donors have been satisfied, at which time they become part of unrestricted net assets.

Revenue Recognition

Resident fees and ancillary services revenue are recognized as services are performed. Payments are received from residents, insurance companies, Medicare, Medi-Cal, and other third-party payers.

Solheim reduces the monthly fee charged to residents below the full rate for those residents whose personal funds are not sufficient and who are not eligible for government assistance. The total subsidy provided was approximately $184,000 for 8 residents in 2014 and approximately $156,000 for 9 residents in 2013. These amounts are recorded as reductions in operating revenues in the accompanying statements of activities.

Amortization

Costs incurred in connection with the 2004 Refunding Revenue Bonds are being amortized over the life of the bonds. Prepaid bond insurance is also amortized over the life of the bond.

Advertising

Solheim expenses advertising costs as they are incurred. Advertising costs expensed during 2014 and 2013 were approximately $42,000 and $36,000, respectively.

Change in Unrestricted Net Assets from Operations (Performance Indicator)

Change in unrestricted net assets from operations reports the results of operations for Solheim. In addition to the income from resident care operations, this amount includes investment income, realized gains and losses on investments, and other items. It excludes unrealized gains and losses on investments.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Functional Expenses
Expenses related to more than one functional expense category are allocated based on estimates by Solheim. Expenses by functional classification were as follows:

	2014	2013
Program services	$ 9,465,318	$ 8,964,548
General and administrative	1,475,433	1,810,899
Fundraising	168,765	156,201
	$ 11,109,516	$ 10,931,648

Income Taxes
Solheim is organized as a not-for-profit corporation under the general not-for-profit corporation laws of the State of California and is exempt from federal income taxation under IRC section 501(c)(3). Not-for-profit organizations are generally not liable for taxes on income; therefore, no provision is made for such taxes in the financial statements.

Solheim considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. Solheim evaluates its uncertain tax positions using the provisions in conformity with U.S. GAAP. These standards require management to perform an evaluation of all income tax positions taken, or expected to be taken in the course of preparing Solheim's income tax returns. Management believes the income tax positions taken more likely than not will be sustained under examination by the applicable tax authorities. Examples of tax positions include the tax-exempt status of Solheim and various positions related to the potential sources of unrelated business taxable income. Since tax matters are subject to some degree of uncertainty, there can be no assurance that Solheim's tax returns will not be challenged by the taxing authorities and that Solheim will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, Solheim's tax returns remain open for three years for federal income tax examination and four years for state income tax examination.

Reclassifications
Certain amounts included in the 2013 financial statements and related notes have been reclassified for comparative purposes to conform to the presentation in the 2014 financial statements.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates used by management in the preparation of the financial statements include the allowance for uncollectible accounts receivable and contribution receivable, depreciable lives and estimatable residual value of facilities and equipment, amortization period of deferred costs, fair value of investments, deferred revenue and amortization of entrance fees, and the obligation to provide future services and use of the facilities in excess of amounts received or to be received for such services.

Note 2 – Accounts Receivable

Accounts receivable consists of the following as of December 31, 2014 and 2013:

	2014	2013
Monthly fees – private payers	$ 211,233	$ 314,044
Monthly fees – Medi-Cal	211,908	123,117
Monthly fees – Medicare	204,118	196,807
Other payors	92,232	92,626
Entrance fees	54,900	107,200
	774,391	833,794
Less allowance for uncollectible accounts	150,000	150,000
Accounts receivable, net	$ 624,391	$ 683,794

Note 3 – Contribution Receivable

The contribution receivable at December 31, 2013, represented an estate gift that is due and not received as of the financial statement date. The total contribution receivable at December 31, 2013 was $1,500,000, of which $1,200,000 was received January 6, 2014. The remaining $300,000 is reported as contribution receivable at December 31, 2014, and is expected to be collected within one year.

Note 4 – Cash and Investments Held by Bond Indenture Trustee

The following trust funds were held and invested at December 31, 2014 and 2013, by U.S. Bank, San Francisco, California, Trustee for the 2004 Refunding Revenue Bonds and allocated for the following purposes:

	2014	2013
Bond Reserve Fund	$ 749,277	$ 738,752
Interest Fund	12,003	15,851
Principal Account	91,667	88,333
Revenue Fund	1,651	1,651
Total, at cost	854,598	844,587
Unrealized loss	(5,721)	(5,054)
Total, at Aggregate Market Value	$ 848,877	$ 839,533

Note 5 – Investments

Investments consisted of the following as of December 31, 2014 and 2013:

2014	Aggregate Market Value	Cost
Money market accounts	$ 823,642	$ 823,642
Certificates of deposit	1,131,254	1,134,032
Corporate bonds	1,123,462	1,117,843
Equity securities	1,831,155	1,180,958
Total	4,909,513	4,256,475
Less assets whose use is limited:		
Cash and investments held by bond indenture trustee	(848,877)	(854,598)
Investments – board designated for benevolence	(1,264,408)	(1,000,575)
Investments – board designated for capital replacement	(50,353)	(50,000)
Investments – temporarily restricted	(50,003)	(50,003)
Total	$ 2,695,872	$ 2,301,299

2013	Aggregate Market Value	Cost
Money market accounts	$ 179,117	$ 179,117
Certificates of deposit	1,368,333	1,374,039
Corporate bonds	467,531	472,072
Equity securities	2,192,524	1,508,329
Total	4,207,505	3,533,557
Less assets whose use is limited:		
Cash and investments held by bond indenture trustee	(839,533)	(844,587)
Investments – board designated for benevolence	(633,732)	(387,084)
Investments – board designated for capital replacement	(50,192)	(50,000)
Investments – temporarily restricted	(20,497)	(20,497)
Total	$ 2,663,551	$ 2,231,389

Note 6 – Other-Than-Temporary Impairment of Investments

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

	Fair Value Below Cost as of December 31, 2014					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Equity securities	$ -	$ -	$ 95,432	$ (41,138)	$ 95,432	$ (41,138)
Corporate bonds	601,706	(6,005)	-	-	601,706	(6,005)
Total Temporarily Impaired Securities	$ 601,706	$ (6,005)	$ 95,432	$ (41,138)	$ 697,138	$ (47,143)

	Fair Value Below Cost as of December 31, 2013					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Equity securities	$ -	$ -	$ 268,104	$ (32,139)	$ 268,104	$ (32,139)
Corporate bonds	308,204	(5,670)	-	-	308,204	(5,670)
Total Temporarily Impaired Securities	$ 308,204	$ (5,670)	$ 268,104	$ (32,139)	$ 576,308	$ (37,809)

The fair market value of these investments have declined due to volatility in the financial markets, changes in interest rates, changes in economic conditions, and changes in market outlook for various industries, among others. The securities disclosed above have not met the criteria for recognition of other-than-temporary impairment under management's policy. Solheim follows a policy of evaluating securities for impairment, which considers available evidence in evaluating potential impairment of its investments. This review considers the severity and duration of the decline in market value, the materiality of the losses on an individual security in relation to the entire portfolio, the volatility of the security's market price, third-party analyst reports, credit rating changes, and regulatory or legal action changes, among other factors. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to investment loss and a new cost basis in the investment is established. For the years ended December 31, 2014 and 2013, no securities were determined to be other-than-temporarily impaired.

Note 7 – Fair Value Measurements

U.S. GAAP establishes the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements).

Following is a description of the valuation methodologies used for assets measured at fair value. The three levels of the fair value hierarchy under U.S. GAAP are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that management has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at December 31, 2014 and 2013.

Money market accounts: valued at fair value by reference to quoted prices in active markets for identical assets or liabilities (unadjusted) that Solheim has the ability to access at the measurement date.

Certificates of deposit: valuation based on an independent pricing service and based on recent sales of similar securities and other observable market data.

Equity securities: valued at fair value by reference to quoted prices in active markets for identical assets or liabilities (unadjusted) that Solheim has the ability to access at the measurement date.

Corporate bonds: valuation based on an independent pricing service and based on recent sales of similar securities and other observable market data.

Note 7 – Fair Value Measurements (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, assets at fair value at December 31, 2014:

	Assets at Fair Value as of December 31, 2014			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments				
Money market accounts	$ 711,530	$ 711,530	$ -	$ -
Certificates of deposit	565,422	-	565,422	-
Equity securities	1,831,155	1,831,155	-	-
Corporate bonds	1,123,462	-	1,123,462	-
Cash and investments held by bond indenture trustee				
Money market accounts	112,112	112,112	-	-
Certificates of deposit	565,832	-	565,832	-
	$ 4,909,513	$ 2,654,797	$ 2,254,716	$ -

The following table sets forth by level, within the fair value hierarchy, assets at fair value at December 31, 2013:

	Assets at Fair Value as of December 31, 2013			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments				
Money market accounts	$ 68,533	$ 68,533	$ -	$ -
Certificates of deposit	639,384	-	639,384	-
Equity securities	2,192,524	2,192,524	-	-
Corporate bonds	467,531	-	467,531	-
Cash and investments held by bond indenture trustee				
Money market accounts	110,584	110,584	-	-
Certificates of deposit	728,949	-	728,949	-
	$ 4,207,505	$ 2,371,641	$ 1,835,864	$ -

Note 8 – Facilities and Equipment

Facilities and equipment at December 31, 2014, and 2013 consist of the following:

	2014	2013
Land	$ 177,089	$ 357,089
Land improvements	833,775	834,497
Buildings and building improvements	11,189,223	10,783,661
Furniture, fixtures and equipment	3,329,026	3,016,311
Construction in progress	162,189	176,140
	15,691,302	15,167,698
Less accumulated depreciation	10,937,288	10,409,155
Total	$ 4,754,014	$ 4,758,543

In October of 2013, the Board approved the sale of property located at 2265 Fair Park Avenue, Los Angeles, California. The property was sold on October 30, 2014 for $800,000. The sale resulted in a gain of $581,318.

Note 9 – Real Estate Held for Investment and Future Expansion

Real estate held for investment and future expansion at December 31, 2014, and 2013 consists of the following:

	2014	2013
Land	$ 1,397,803	$ 1,397,803
Buildings	150,000	150,000
	1,547,803	1,547,803
Less accumulated depreciation	150,000	150,000
Total	$ 1,397,803	$ 1,397,803

The property is contiguous to the current campus and is located at 2221 Fair Park Avenue. It is currently leased to a third party (Note 14).

Note 10 – Deferred Costs and Other Assets

Deferred costs and other assets consist of the following at December 31, 2014 and 2013:

	2014	2013
Deferred costs related to 2004 Refunding Revenue Bonds:		
Bond issue costs, net of amortization	$ 43,043	$ 57,797
Prepaid insurance costs, net of amortization	68,885	92,501
Deferred costs related to future expansion	297,880	297,880
Total	$ 409,808	$ 448,178

Bond issue costs represent costs that were paid or incurred in order to issue the 2004 Refunding Revenue Bonds, such as fees of the financial advisor, rating service, bond counsel, underwriter's discount, and other charges. Additionally, Solheim obtained bond insurance to insure for payment of principal and interest on the bonds. The insurance premium of $323,940 was prepaid and is expensed over the life of the bond.

Deferred costs related to future expansion include certain research costs, legal and architectural fees incurred in connection with a future project that will expand the size of the current campus and replace some of the existing buildings in a phased construction process. This project will further Solheim's not-for-profit mission and is consistent with the organization's tax exempt status as it will expand Solheim's ability to serve additional seniors and enhance the quality of life for existing residents.

Note 11 – Long-Term Debt

The outstanding balances on long-term debt are as follows at December 31, 2014 and 2013:

	2014	2013
Note payable to California Health Facilities Financing Authority (2004 Refunding Revenue Bonds), bearing interest rates ranging from 1.75% to 3.85% per annum, payable semi-annually on May 1 and November 1 of each year. Principal is payable annually through 2017.	$ 1,710,000	$ 2,240,000
Note payable to Mission Investment Fund (the "Fund") of the Evangelical Lutheran Church in America paid in monthly installments of $5,607 including interest at 4.625% per annum are required. The interest rate and payment amounts will be reviewed again by the Fund on November 1, 2016, and 2021. The note is secured by certain real estate purchased by Solheim in 2006 and matures on December 1, 2026.	618,636	656,308
	2,328,636	2,896,308
Less current portion	589,385	567,811
	$ 1,739,251	$ 2,328,497

Note 11 – Long-Term Debt (continued)

Maturities of long-term debt are as follows:

Years Ending December 31,	
2015	$ 589,554
2016	611,375
2017	633,260
2018	45,373
2019	39,554
Thereafter	409,520
	$ 2,328,636

The facilities and gross receipts of Solheim serve as security for the 2004 Refunding Revenue Bonds. Solheim is required to be in compliance with certain financial covenants. The financial covenants include debt service coverage ratio, current ratio, and days cash on hand ratio. Solheim was in compliance with its financial covenants for the year ended December 31, 2014.

Note 12 – Endowment

Solheim's endowment consisted of one fund through January 1, 2014, which included a fund designated by the Board of Directors to function as an endowment. Effective January 1, 2014, the Board of Directors redesigned the fund to not function as an endowment. As a result, the name was changed to the Board Designated Fund for Benevolence.

The primary investment objective of the endowment was preservation of capital. The secondary objective was to provide a reasonable level of total return (income and capital appreciation) to offset the effects of inflation. The third objective is to provide a reasonable level of growth in assets to produce a positive real return. With this long-term objective in mind, the portfolio was invested using the following guidelines:

- Investments in equity securities should not exceed 50% of the total market value of the endowment fund. Acceptable equity investments include: (a) common stocks listed on a major exchange; (b) mutual funds and exchange-traded funds ("ETF") composed of at least 75% stocks; and (c) real estate investment trusts. Up to 20% of the equity portion of the portfolio may be invested in non-U.S. stocks, mutual funds, or ETF's, including emerging markets. No single equity investment is to exceed 10% of the total equity portfolio.

- Investments in fixed income securities should represent at least 40% of the total market value of the endowment fund. Acceptable fixed income investments include: (a) U.S. Treasury and agency securities; (b) corporate bonds and notes rated no lower than "BAA" by a major ratings' source; (c) non-convertible preferred stock; (d) mutual funds and ETF's composed of at least 75% fixed income securities; and (e) certificates of deposit with maturities over 1 year issued by institutions guaranteed by the Federal Deposit Insurance Corporation ("FDIC") and within the authorized limit in any single financial institution. Up to 20% of the fixed income portion of the portfolio may be invested in non-U.S. dollar-denominated fixed income securities, including emerging markets.

Note 12 – Endowment (continued)

- Investments in cash equivalents should be at least 10% and should not exceed 30% of the total market value of the endowment fund. Cash equivalent securities are generally fixed income instruments with maturities of 1 year or less and can include: (a) money market funds composed of at least 50% U.S. Treasury securities; (b) U.S. Treasury bills; and (c) certificates of deposit issued by institutions guaranteed by the FDIC and within the authorized limit in any single financial institution. The purpose of the cash equivalents' portion of the portfolio is to provide liquidity for both anticipated and unanticipated cash needs and to hedge against volatility in declining market conditions.
- Equity, fixed income, and cash equivalent securities not described above may be recommended for purchase by Solheim's investment advisors; however, the purchase must be discussed with and approved by Solheim's investment committee prior to investment.

Endowment net assets composition by type of fund and changes in endowment net assets for 2013 is as follows:

2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 512,223	$ -	$ 8,597	$ 520,820
Interest and dividend income	12,594	-	483	13,077
Contributions	43,750	-	-	43,750
Net realized and unrealized gains	65,165	-	-	65,165
Transfer of permanent endowment to temporarily restricted net assets, consistent with donor intent	-	-	(9,080)	(9,080)
Endowment net assets, end of year	$ 633,732	$ -	$ -	$ 633,732

During 2013, Solheim received communication from the donor of the permanently restricted endowment fund that the intent of their contribution was not to be a permanently restricted endowment. As a result, management reclassified the donor-restricted endowment fund to temporarily restricted net assets.

Note 13 – Retirement Plan

Solheim provides a tax deferred annuity plan ("403(b) Plan") for the benefit of its eligible employees. Solheim's matching contribution to the 403(b) Plan is discretionary and is determined by its Board of Directors. For both 2014 and 2013, the matching percentage was 2%. In addition, employees, at their discretion, may direct a portion of their monthly benefit allowance provided by Solheim, to their 403(b) Plan account.

Note 13 – Retirement Plan (continued)

Effective January 1, 2013, Solheim created a 457(b) plan for the benefit of members of the executive team. The 457(b) plan allows Solheim to make discretionary matching and nonelective contributions.

For the years ended December 31, 2014 and 2013, Solheim's contributions to these plans were approximately $407,000 and $472,000, respectively.

Note 14 – Net Rental Loss

On November 13, 2006, Solheim acquired an adjacent property for investment and future expansion (Note 9). Concurrently with the purchase, Solheim entered into month-to-month lease agreement with the tenant of the property. The lease agreement calls for rental payments of $1,500 per month.

In connection with the rental operation, Solheim allocated certain expenses against the rental income. The amounts are as follows:

	2014	2013
Rental income	$ 18,000	$ 18,000
Rental expenses		
Interest	29,466	31,163
Insurance	837	821
Property tax	28,321	28,511
Total rental expenses	58,624	60,495
Net rental loss	$ (40,624)	$ (42,495)

Note 15 – Commitments and Contingencies

Solheim leases office equipment under operating lease agreements. The leases have various terms and maturity dates and require monthly lease payments. Lease expense for the year 2014 and 2013 was $17,405 and $23,510, respectively.

Future minimum lease payments are as follows:

Years Ending December 31,	
2015	$ 13,247
2016	13,032
2017	12,458
2018	6,134
	$ 44,871

Note 15 – Commitments and Contingencies (continued)

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

Note 16 – Concentrations

Solheim maintains its unrestricted cash deposits with one financial institution. The deposits with the financial institution are insured up to $250,000 with the FDIC. At December 31, 2014, Solheim's uninsured cash balance totaled approximately $1,117,000.

Approximately 24% and 21% of Solheim's total operating revenue for the years ended December 31, 2014, and 2013, respectively, were funded pursuant to federal, state, and local assistance programs, the continuation of which is dependent upon government policies. Revenues received under these programs are partially based upon cost reimbursement principles that are subject to government audit.

Note 17 – Subsequent Events

Management has evaluated for subsequent events through April 28, 2015, the issuance date of the financial statements. No subsequent events requiring disclosure were noted.

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CENTRALIZED APPLICATIONS UNIT

Continuing Care Reserve Report Schedules

SOLHEIM LUTHERAN HOME

For the Year Ended December 31, 2014

MARTIN WERBELOW LLP
CERTIFIED PUBLIC ACCOUNTANTS
300 NO. LAKE AVE., STE. 930, PASADENA, CA 91101
TEL: (626) 577-1440 FAX: (626) 577-1082

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CENTRALIZED APPLICATIONS UNIT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Solheim Lutheran Home
Los Angeles, California

We have audited the accompanying continuing care reserve report schedules of Solheim Lutheran Home ("Solheim") which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5 ("Schedules") as of and for the year ended December 31, 2014.

Management's Responsibility for the Reports
Management is responsible for the preparation and fair presentation of these Schedules in accordance with the provisions of the 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 Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the Schedules 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 Schedules are free of material misstatement.

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

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

Opinion
In our opinion, the Schedules present fairly, in all material respects, the continuing care reserve requirements of Solheim as of December 31, 2014, in accordance with the provisions of the California Health and Safety Code Section 1792.

Basis of Accounting
We draw attention to the basis of accounting used to prepare the Schedules. The Schedules were prepared by Solheim on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the provisions of the California Health and Safety Code Section 1792. Our opinion is not modified with respect to that matter.

Restriction on Use
This report is intended solely for the information of the Board of Directors and management of Solheim and the California Department of Social Services and is not intended to be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

April 28, 2015

Martin Werbelow LLP

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	12/2/2004	$530,000	$83,520		$613,520
2	11/13/2006	$37,672	$29,607		$67,279
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
		TOTAL:	$113,127	$0	$680,799

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

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

PROVIDER: SOLHEIM LUTHERAN HOME

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: SOLHEIM LUTHERAN HOME

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$680,799
2	Total from Form 5-2 bottom of Column (e)	$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$680,799

PROVIDER: SOLHEIM LUTHERAN HOME

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		$11,109,516
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	$113,127	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	$0	
	c. Depreciation	$615,540	
	d. Amortization	$38,370	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$6,495,460	
	f. Extraordinary expenses approved by the Department		
3	Total Deductions		$7,262,497
4	Net Operating Expenses		$3,847,019
5	Divide Line 4 by 365 and enter the result.		$10,540
6	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$790,483

PROVIDER: SOLHEIM LUTHERAN HOME

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: SOLHEIM LUTHERAN HOME
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:

		Amount
[1]	Debt Service Reserve Amount	$680,799
[2]	Operating Expense Reserve Amount	$790,483
[3]	**Total Liquid Reserve Amount:**	$1,471,282

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

	Qualifying Asset Description	Amount (market value at end of quarter) Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents	$104,058		$1,543,757
[5]	Investment Securities			$1,396,139
[6]	Equity Securities			$1,299,733
[7]	Unused/Available Lines of Credit			
[8]	Unused/Available Letters of Credit			
[9]	Debt Service Reserve	$744,819		(not applicable)
[10]	Other: (describe qualifying asset)			
[11]	**Total Amount of Qualifying Assets Listed for Reserve Obligation:**	$848,877	[12]	$4,239,629
[13]	**Reserve Obligation Amount:**	$680,799	[14]	$790,483
[15]	**Surplus/(Deficiency):**	$168,078	[16]	$3,449,146

Signature:

(Authorized Representative)

Date: 4/28/2015

Director of Finance & CFO
(Title)

FORM 5-5 - ADDITIONAL DISCLOSURE

■ Description of all Reserves maintained

	December 31 2014	December 31 2013
Funds Held by Trustees		
2004 Refunding Revenue Bond Funds:		
Payment of interest	$10,740	$15,851
Revenue fund	$1,651	$1,651
Payment of principal	$91,667	$88,333
Bond reserve fund	$744,819	$733,698
	$848,877	$839,533
Less: Held for current debt payments	$561,728	$544,908
	$287,149	$294,625
Board Designated Funds		
Benevolence	$1,264,408	$633,732
Capital replacement	$50,353	$50,192
	$1,314,761	$683,924
Other Limited Uses		
Temporarily Restricted Fund	$50,003	$20,497
Restricted Fund	$0	$0
	$50,003	$20,497
Total Limited Use Assets	$1,651,913	$999,046

Status: These funds are fully funded.

■ Funds Accumulated for Specific Projects or Purposes

- 2004 Bond Project funds are reserved to finance the construction, renovation, remodeling, and other capital projects. $613,520 were expended during the fiscal year for the debt service.
- The Benevolence fund will be used to support charitable care for residents
- The Capital Replacement fund is set aside to comply with the terms of the 2004 Refunding Revenue Bonds
- The Temporarily Restricted fund is set aside for acquisition of facilities and equipment, charity care for residents, activity and other programs for the residents.

■ Per Capita Cost of Operations

Total operating Expenses (Form 5-4, Line 1)	$11,109,516
Mean number of all residents (Form 1-1, Line 10)	143.0
Average Per Capita Cost Annual	$77,689
Divided by Days Per Year	365
Average Per Capita Cost Daily	$213

PROVIDER: SOLHEIM LUTHERAN HOME

TWO-WAY RECONCILIATION

Line		TOTAL
1	Revenues received during the fiscal year for services to persons who did not have a continuing care contract reported on Form 5-4, Line 2(e)	$6,495,460
2	Revenues received during the fiscal year for services to persons who did have a continuing care contract	$4,218,757
3	Revenues received from residents for monthly services reported on Statement of Cash Flows - Direct Method	$10,714,217

PROVIDER: SOLHEIM LUTHERAN HOME

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	**2,785 – 4,818**	**4,233–6,578**	**7,057**
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**3.0%**	**3.0%**	**2.0%**

☐ 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: January 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: SOLHEIM LUTHERAN HOME
COMMUNITY:____

SOLHEIM LUTHERAN HOME

2014 Annual Report

EXPLANATION FOR THE INCREASE MONTHLY FEES, ITEM 5, FORM 7-1

Data used in determining rate adjustments:

2013 Actual Monthly Care Fees charged
2014 Projected Revenues and Expenses (7 months actual, 5 months estimated)
2014 Projected occupancy by pay source by level of care
2014 Projected staffing levels by department and payroll related expenses
2014 Projected non-payroll related expenses
2014 Percentage increase in monthly Social Security payments to residents if any
2013 Actual and 2014 projected interest rate paid on savings

The Corporation is required by its loan documents to charge fees that are sufficient to meet a specified net income to debt service ratio. After the budgeting process was completed for projected expenses, it was determined that the rates shown on line 1 were necessary to achieve the specified ratio and to have a somewhat better than a break-even budget for 2014

Residential fee increases ranged from $81 to $140 per month
Assisted living fees increases ranged from $123 to $192 per month
Skilled nursing fees were increased by $5 per day ($152 per month as an average)

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4/28/15

FACILITY NAME: SOLHEIM LUTHERAN HOME

ADDRESS: 2236 MERTON AVE, LOS ANGELES, CA   ZIP CODE: 90041   PHONE: (323) 257-7518

PROVIDER NAME: SOLHEIM LUTHERAN HOME   FACILITY OPERATOR: SAME

RELATED FACILITIES: NONE   RELIGIOUS AFFILIATION: LUTHERAN

YEAR OPENED: 1923   # OF ACRES: 3   ☑ SINGLE STORY   ☑ MULTI-STORY   ☐ OTHER: ____   MILES TO SHOPPING CTR: 1   MILES TO HOSPITAL: 1.5

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS — STUDIO:	24	ASSISTED LIVING:	34
APARTMENTS — 1 BDRM:	3	SKILLED NURSING:	76
APARTMENTS — 2 BDRM:		SPECIAL CARE:	45
COTTAGES/HOUSES:		DESCRIPTION: >	MEMORY CARE
RLU OCCUPANCY (%) AT YEAR END:		>	

* *

TYPE OF OWNERSHIP: ☑ NOT-FOR-PROFIT ☐ FOR- PROFIT   ACCREDITED?: ☐ YES ☑ NO   BY: ____

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

REFUND PROVISIONS: *(Check all that apply)* ☐90% ☐75% ☐50% ☐FULLY AMORTIZED ☑OTHER: PRORATED TO 0%

RANGE OF ENTRANCE FEES: $27,000 - $111,000   **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: DISCOUNTED RATES FOR SNF RESIDENTS WITH CONTINUING CARE CONTRACT

ENTRY REQUIREMENTS: MIN. AGE: 60   PRIOR PROFESSION: N/A   OTHER: ____

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > ATTENDS ALL BOARD MEETINGS AND PRESENTS A
> REPORT REGARDING RESIDENTS ACTIVITIES AND OTHER RESIDENT'S CONCERNS IF ANY

* *

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☑	☑
BILLIARD ROOM	☐	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☑	☐
CHAPEL	☑	☐
COFFEE SHOP	☐	☐
CRAFT ROOMS	☐	☐
EXERCISE ROOM	☑	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☑	☐
PUTTING GREEN	☐	☐
SHUFFLEBOARD	☐	☐
SPA	☐	☐
SWIMMING POOL-INDOOR	☐	☐
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☐	☐
WORKSHOP	☐	☐
OTHER ____	☐	☐

SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING (2 TIMES/MONTH)	☐	☐
MEALS (3 /DAY)	☐	☐
SPECIAL DIETS AVAILABLE	☑	☐
24-HOUR EMERGENCY RESPONSE	☑	☐
ACTIVITIES PROGRAM	☑	☐
ALL UTILITIES EXCEPT PHONE	☑	☐
APARTMENT MAINTENANCE	☑	☐
CABLE TV	☑	☐
LINENS FURNISHED	☑	☐
LINENS LAUNDERED	☑	☐
MEDICATION MANAGEMENT	☑	☐
NURSING/WELLNESS CLINIC	☑	☐
PERSONAL HOME CARE	☐	☑
TRANSPORTATION-PERSONAL	☐	☑
TRANSPORTATION-PREARRANGED	☑	☐
OTHER CLOTHES LAUNDERED	☑	☐

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: SOLHEIM LUTHERAN HOME

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: SOLHEIM LUTHERAN HOME

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	10,465,116	11,224,119	10,437,151	10,831,254
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	10,327,523	10,727,780	10,214,461	10,375,266
NET INCOME FROM OPERATIONS	137,593	496,339	222,690	455,988
LESS INTEREST EXPENSE	(130,067)	(114,829)	(98,326)	(80,340)
PLUS CONTRIBUTIONS	203,437	148,736	1,462,751	147,750
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	(19,116)	42,756	352,536	552,317
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	191,847	573,002	1,939,651	1,075,715
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	439,483	699,623	651,030	653,514

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CHFFA	1,710,000	3.45	12/01/04	11/01/17	13 YEARS
MISSION INVESTMENT FUND	618,636	4.63	11/13/06	11/12/26	20 YEARS

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO	37.71%	24.8%	17.0%	12.29%
OPERATING RATIO	98.54%	95.9%	98.7%	96.08%
DEBT SERVICE COVERAGE RATIO	2.55	2.19	3.58	3.01
DAYS CASH ON HAND RATIO	343	117	132	193

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO	2,550	3.0	2,625	3.0	3,392	3.0	3,493
ONE BEDROOM	3,060	3.0	3,125	3.0	4,087	3.0	4,210
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING	3,875	3.0	3,990	3.0	5,129	3.0	5,314
SKILLED NURSING	233 per day	3.0	240 per day	3.0	247 per day	2.0	252 per day
SPECIAL CARE	4,900	3.0	5,045	3.0	5,158	3.0	5,313

* *

COMMENTS FROM PROVIDER: > 2013 MONTHLY FEES WERE RESTATED TO AVERAGE FEES INSTEAD OF PREVALENT RATE

>

>

PROVIDER NAME: SOLHEIM LUTHERAN HOME

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

solheim
lutheran
home

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california
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fax 323 255 3544
www.solheimlutheran.org

May 28, 2015

Ms. Allison Nakatomi, Associate Governmental Program Analyst
Department of Social Services
Continuing Care Contracts Branch
744 P Street, MS 8-3-90
Sacramento, CA 95814

RE: Solheim Lutheran Home
Annual Key Indicator's Report
Fiscal Year ended December 31, 2014

Dear Ms Nakatomi:

In accordance with the Annual Report Instructions, please find enclosed the Annual Key Indicator's Report for the fiscal year referenced above.

If you have any questions please feel free to call me at (323) 257-7518 Ext 227.

Sincerely,

Antonio Davila
Director of Finance & CFO

Enclosure

KEY INDICATORS REPORT

SOLHEIM LUTHERAN HOME

Date Prepared: 5/28/2015

Chief Executive Officer Signature

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

RECEIVED MAY 29 2015 CONTINUING CARE CONTRACTS BRANCH

	2010	2011	2012	2013	2014	Projected 2015	Forecast 2016	2017	2018	2019	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	84.20%	82.30%	82.00%	79.20%	80.50%	83.20%	88.10%	88.10%	88.10%	88.10%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	3.51%	-0.70%	3.90%	1.11%	3.70%	1.83%	8.67%	8.33%	8.74%	7.66%	↑
3. Net Operating Margin - Adjusted (%)	8.75%	4.01%	9.59%	6.94%	9.20%	7.59%	14.20%	13.94%	14.38%	13.43%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	$3,351	$3,079	$3,406	$3,699	$5,554	$6,051	$6,490	$7,661	$10,313	$12,138	↑
5. Days Cash on Hand (Unrestricted)	120	107	117	130	193	192	201	231	305	346	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000)	$2,157	$2,048	$1,965	$1,934	$2,021	$2,071	$2,205	$2,350	$2,505	$2,670	N/A
7. Net Annual E/F proceeds ($000)	$601	$440	$700	$651	$654	$723	$827	$858	$890	$923	N/A
8. Unrestricted Net Assets ($000)	$4,231	$4,492	$5,128	$7,310	$8,478	$9,178	$10,518	$11,891	$13,333	$14,786	N/A
9. Annual Capital Asset Expenditure ($000)	$494	$431	$311	$503	$844	$387	$400	$400	$400	$400	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	0.92	0.42	1.11	2.52	2.04	1.19	2.08	2.07	22.14	20.46	↑
11. Annual Debt Service Coverage (x)	1.86	1.1	2.19	3.48	3.01	2.25	3.30	3.34	35.4	34.21	↑
12. Annual Debt Service/Revenue (%)	5.60%	5.70%	5.38%	5.31%	5.48%	5.27%	4.91%	4.77%	0.46%	0.45%	↓
13. Average Annual Effective Interest Rate (%)	4.58%	4.73%	3.92%	4.00%	4.10%	4.18%	4.23%	4.25%	4.72%	4.72%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	84.09%	89.45%	110.39%	158.84%	319.36%	536.48%	1312.02%	1705.22%	2566.87%	3447.73%	↑
15. Average Age of Facility (years)	17.24	17.25	17.67	18.19	18.01	18	18.87	19.87	20.87	21.87	↓