

R E C E I V E D  
FEB 03 2015

CONTINUING CARE  
CONTRACTS BRANCH

**ANNUAL REPORT  
CHECKLIST**  
for  
**FISCAL YEAR ENDED:  
September 30, 2014**

**PROVIDER: Aldersly**

**FACILITY(IES): Aldersly**

**CONTACT PERSON: JoAnne Maxwell**

**TELEPHONE NO.: (415) 453-7425**

**EMAIL: joannemaxwell@aldersly.com**

✓   ✓   ✓   ✓   ✓   ✓   ✓   ✓   ✓   ✓   ✓   ✓

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

- ✓ This cover sheet.
- ✓ Annual Provider Fee in the amount of: \$5,152
  - ✓ If applicable, late fee in the amount of: \$ N/A
- ✓ 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 reserve and refund reserve, if applicable.
- ✓ Evidence of the provider's fidelity bond.
- ✓ The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community (total of four (4) copies to be included).

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report. (4 copies total)

# Aldersly

Est. 1921  
GARDEN RETIREMENT COMMUNITY

RECEIVED  
FEB 03 2015

CONTINUING CARE  
CONTRACTS BRANCH

January 29, 2015

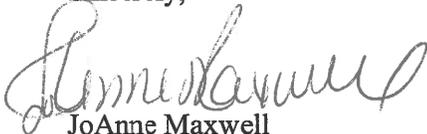
Continuing Care Contracts Branch  
California Department of Social Services  
744 P. Street, M.S. 10-90  
Sacramento, CA 95814

Enclosed are three copies of our Annual Report for the year ended September 30, 2014, along with our payment in the amount of \$5,152. At this time, I am certifying to the following with regard to the Annual Report for the year ended September 30, 2014:

1. The annual report is correct to the best of my knowledge.
2. Each continuing care contract form in use or offered to new residents has been approved by the California Department of Social Services.
3. As of September 30, 2014, we are maintaining the required liquid and refund reserves.

Please contact me if you need additional information.

Sincerely,



JoAnne Maxwell  
Executive Director

(415) 453-7425 • Fax (415) 453-6377  
326 Mission Avenue, San Rafael, CA 94901  
[www.aldersly.com](http://www.aldersly.com)



CALIFORNIA LICENSE NO. 216801686 COA #004  
A NOT-FOR-PROFIT CONTINUING CARE RETIREMENT COMMUNITY





**FORM 1-1**  
**RESIDENT POPULATION**

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	71
[2]	Number at end of fiscal year	75
[3]	Total Lines 1 and 2	146
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	73
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	97
[7]	Number at end of fiscal year	101
[8]	Total Lines 6 and 7	198
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	99
[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).	0.74

**FORM 1-2**  
**ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses	\$7,874,980
	[a] Depreciation	\$595,815
	[b] Debt Service (Interest Only)	\$292,407
[2]	Subtotal (add Line 1a and 1b)	\$888,222
[3]	Subtract Line 2 from Line 1 and enter result.	\$6,986,758
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	74%
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	\$5,151,852
		x .001
[6]	<b>Total Amount Due</b> (multiply Line 5 by .001)	\$5,152

**PROVIDER:** ALDERSLY  
**COMMUNITY:** \_\_\_\_\_

R E C E I V E D  
FEB 03 2015

CONTINUING CARE  
CONTRACTS BRANCH

Aldersly and Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

September 30, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Aldersly

We have audited the accompanying consolidated financial statements of Aldersly (a California not-for-profit organization) and Subsidiary, which comprise the consolidated statements of financial position as of September 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Consolidated Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aldersly and Subsidiary as of September 30, 2014 and 2013, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (continued)

**Report on Supplemental Information**

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

*DZH Phillips LLP*

San Francisco, California  
December 1, 2014

Aldersly and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2014 and 2013

<b>ASSETS</b>		
	2014	2013
Current assets		
Cash and cash equivalents	\$ 815,465	\$ 1,080,120
Investments (Note B)	14,204,108	11,812,014
Accounts receivable - residents - net (Note C)	252,014	225,592
Bequest receivable	800,000	-
Entrance fees receivable (Note G)	-	203,273
Accounts receivable - other	23,289	-
Interest and dividends receivable	1,334	1,221
Prepaid expenses	269,874	194,957
Total current assets	16,366,084	13,517,177
Property, buildings and equipment - net (Note D)	10,199,197	10,382,885
Assets whose use is limited or restricted (Note E)	727,873	728,602
Other noncurrent assets		
Long-term investments (Note B)	5,242,133	4,732,894
Deferred financing costs, net of accumulated amortization of \$389,561 in 2014 and \$356,319 in 2013	531,262	564,504
Other	5,582	5,582
	5,778,977	5,302,980
Total assets	\$ 33,072,131	\$ 29,931,644
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 153,396	\$ 125,029
Accrued salaries and wages	242,482	301,528
Deposits received	198,991	210,683
Unearned vendor credit - current portion (Note M)	20,304	-
Current maturities of long-term debt (Note F)	218,930	213,075
Total current liabilities	834,103	850,315
Long-term liabilities		
Unearned entrance fees - refundable (Note G)	2,685,072	2,512,775
Unearned entrance fees - non-refundable (Note G)	2,281,192	2,006,438
Guaranteed refunds (Note G)	1,972,865	1,528,160
Unearned vendor credit (Note M)	72,923	-
Long-term debt (Note F)	5,374,830	5,593,768
	12,386,882	11,641,141
Total liabilities	13,220,985	12,491,456
COMMITMENTS AND CONTINGENCIES (Note N)	-	-
NET ASSETS		
Unrestricted and unappropriated	13,331,668	11,638,026
Unrestricted - board designated (Note H)	6,439,053	5,721,737
Temporarily restricted (Note I)	80,425	80,425
	19,851,146	17,440,188
Total liabilities and net assets	\$ 33,072,131	\$ 29,931,644

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



Aldersly and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows provided by (used in) operating activities:		
Cash received from residents	\$ 8,937,418	\$ 8,816,649
Cash received from donors	44,218	97,026
Investment income received	441,034	411,362
Cash paid for interest on long-term debt	(292,407)	(300,941)
Cash paid to suppliers and employees	(7,039,509)	(6,768,500)
Cash paid for fundraising costs	(27,896)	(36,601)
	<u>2,062,858</u>	<u>2,218,995</u>
Cash flows provided by (used in) investing activities:		
Net change in assets held in trust	729	(5,184)
Capital expenditures	(375,252)	(564,397)
Proceeds from sales of investments	8,525,924	7,442,085
Purchase of investments	(10,265,831)	(8,715,417)
	<u>(2,114,430)</u>	<u>(1,842,913)</u>
Cash flows provided by (used in) financing activities:		
Principal payments on long-term debt	(213,083)	(202,254)
	<u>(213,083)</u>	<u>(202,254)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (264,655)	 173,828
Cash and cash equivalents at beginning of year	<u>1,080,120</u>	<u>906,292</u>
Cash and cash equivalents at end of year	<u>\$ 815,465</u>	<u>\$ 1,080,120</u>
 <u>Non-cash investing activities</u>		
Donated equipment from vendor	<u>\$ 8,293</u>	<u>\$ -</u>

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

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2014 and 2013

NOTE A – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Founded in 1921 by Danish immigrants as a not-for-profit retirement community located in San Rafael, California, Aldersly today is a diverse and vibrant mix of residents from many cultural backgrounds. Aldersly is a continuing care retirement community that offers three lifestyle options - Independent Living, Assisted Living, and the Health and Rehabilitation Center. Residents are able to seamlessly transition between care levels, as necessary.

In August 2014 Aldersly formed a wholly owned subsidiary, an LLC, for the purpose of acquiring property.

A summary of significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Aldersly and its wholly-owned subsidiary, collectively the “Organization”. Intercompany transactions and balances have been eliminated in consolidation.

Net assets

The net assets of the Organization are reported in groups as follows:

*Unrestricted:*

Net assets that are not subject to donor-imposed stipulations. Donations received and spent in accordance with donor-imposed stipulations in the same reporting period are also included in this classification.

*Temporarily restricted:*

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time.

*Permanently restricted:*

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Currently, the Organization has no permanently restricted net assets.

Income taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d. Accordingly, it has not provided for income taxes in these consolidated financial statements.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2014 and 2013

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

Income taxes (continued)

The LLC's net earnings are reported on the federal and state exempt organization tax returns of its parent company. The LLC files a separate state tax return in California and is subject to an \$800 minimum tax.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these consolidated financial statements. Tax returns for years subsequent to September 30, 2010 are subject to examination by federal and state tax authorities.

Cash and cash equivalents

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization classifies cash held in money market funds by investment custodians as short-term investments.

Concentrations of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Accounts receivable - residents

Resident accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. The Organization provides for an allowance for doubtful accounts based on management's estimate of the collectability of accounts receivable. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

At September 30, 2014, the allowance for doubtful accounts amounted to \$31,291. At September, 30 2013, management determined that the full amount of accounts receivable was collectable and therefore no allowance for doubtful accounts was recorded.

Investments

Investments consist of marketable equity and debt securities, and are presented in the consolidated financial statements at their fair value. Investment income, which consists of dividend and interest income and unrealized and realized gains (losses) on investments, is shown in the consolidated statement of activities.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2014 and 2013

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

Fair value measurements

The Organization is required, under an accounting pronouncement for fair value measurements, to consider the use of market-based information over entity specific information in valuing its marketable investment securities. The pronouncement establishes 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.

Fair value measurements (continued)

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 lowest level of input that is significant to the fair value measurement.

All of the Organization's investments are classified as Level 1, with the exception of debt securities which are classified as Level 2. Funds held as investments by the bond trustee are classified as Level 2.

Property, buildings, and equipment

Property, buildings and equipment are carried at cost. Donated assets are recorded at fair market value at the date of donation. Depreciation is provided on the straight line method over the estimated useful lives of the assets, which range from five to forty years. Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on dispositions of property, buildings and equipment are included in the consolidated statement of activities.

Assets whose use is limited or restricted

Assets whose use is limited or restricted represents assets held by trustees under indenture agreements. These assets are presented in the consolidated financial statements at their fair value. The underlying investments are held in marketable debt and equity securities.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2014 and 2013

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

Deferred financing costs

Deferred financing costs are amortized on the straight-line basis over the term of the related financing.

Entrance fees

The Organization has entered into agreements with most of its residents, whereby the Organization agrees to provide continuing care and lodging for the residents in exchange for a one-time entrance fee paid upon occupancy plus a monthly fee thereafter. Under certain circumstances, the agreements provide the resident with the right to a refund or credit, which is reduced for each month of residency, subject to a minimum of 10% of the exhaustible portion of the entrance fee. California Health and Safety Sections 1771 and 1793 require a reserve for refundable contracts be established if refund rights are not exhausted within six years. Refund rights are typically exhausted within five years, for non-guaranteed refundable contracts. For contracts that guarantee a specific refund amount that is not exhausted over time, a reserve is maintained. In addition, the refundable fees are included in liabilities (refer to Note G).

Non-refundable entrance fees are recognized as revenue over the expected remaining lives of the residents, using the straight-line method of amortization. Upon the death or withdrawal of a resident, unrecognized entrance fees, less any refundable amounts, remain the property of the Organization and are recognized as revenue.

Donated services

The Organization receives various types of volunteer services. Contributed services are not recognized unless the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased. The services received do not meet the two recognition criteria described above. Accordingly the value is not reflected in the consolidated financial statements.

Use of estimates

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

Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through the date the consolidated financial statements were available to be issued, December 1, 2014.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2014 and 2013

NOTE B - INVESTMENTS

Investments consist of the following at September 30, 2014 and 2013:

	2014		
	Cost	Market	Unrealized Appreciation (Depreciation)
Cash investments	\$ 1,487,739	\$ 1,487,739	\$ -
Corporate stocks	9,496,304	11,904,931	2,408,627
Corporate bonds	4,662,810	5,206,242	543,432
U.S. government obligations	402,467	394,202	(8,265)
Mutual funds	476,941	453,127	(23,814)
Total investments	<u>\$ 16,526,261</u>	<u>\$ 19,446,241</u>	<u>\$ 2,919,980</u>
	2013		
	Cost	Market	Unrealized Appreciation (Depreciation)
Cash investments	\$ 1,320,738	\$ 1,320,738	\$ -
Corporate stocks	7,888,541	9,927,694	2,039,153
Corporate bonds	4,657,508	4,564,985	(92,523)
U.S. government obligations	406,450	389,002	(17,448)
Mutual funds	353,280	342,489	(10,791)
Total investments	<u>\$ 14,626,517</u>	<u>\$ 16,544,908</u>	<u>\$ 1,918,391</u>

Investments are reflected in the consolidated statements of financial position as follows:

	2014	2013
Current	\$ 14,204,108	\$ 11,812,014
Long-term	5,242,133	4,732,894
	<u>\$ 19,446,241</u>	<u>\$ 16,544,908</u>

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2014 and 2013

NOTE B - INVESTMENTS (continued)

The investment return for the years ended September 30, 2014 and 2013 is as follows:

	2014	2013
Interest and dividend income	\$ 441,147	\$ 411,818
Realized gains	153,533	456,551
Unrealized gains	1,001,589	877,778
	<u>\$ 1,596,269</u>	<u>\$ 1,746,147</u>

The investment return for the years ended September 30, 2014 and 2013 includes \$502,967 and \$581,478, respectively, in earnings from the board designated Endowment Fund.

Investment management fees and other investment-related expenses for the years ended September 30, 2014 and 2013 amounted to \$98,980 and \$75,959, respectively.

NOTE C - ACCOUNTS RECEIVABLE-RESIDENTS

Accounts receivable - residents consist of the following:

	2014	2013
Private	\$ 138,342	\$ 79,204
Medicare/MediCal	133,140	125,833
Other insurance	11,823	20,555
	<u>283,305</u>	<u>\$ 225,592</u>
Allowance for doubtful accounts	(31,291)	-
	<u>\$ 252,014</u>	<u>\$ 225,592</u>

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2014 and 2013

NOTE F - LONG-TERM DEBT

Long-term debt consists of the following:

	2014	2013
<p>In September 2002 the California Health Facilities Financing Authority (CHFFA) issued \$7,125,000 of Insured Senior Living Revenue Bonds (2002 Series A) on behalf of the Organization. The bond proceeds were used to finance the demolition of an existing building and the construction of a new assisted living facility. The bonds bear interest rates ranging from 2.00% to 5.25% and mature at various dates through March 1, 2032.</p>		
<p>The loan agreement between the Organization and CHFFA requires in part, the following:</p>		
<p>(i) Establish and maintain a Capital Replacement Fund in accordance with the provisions of a regulatory agreement, in an initial annual amount of \$150,000 and annual deposits thereafter increased by the Consumer Price Index, to the extent that previous year annual capital expenditures do not exceed the required amount. (At September 30, 2014 and 2013, no reserve is required to be maintained as capital expenditures for the previous year exceeded the required amount.)</p>		
<p>(ii) May not incur additional indebtedness or dispose of the real property securing the debt without the prior consent of CHFFA.</p>	\$ 5,440,000	\$ 5,625,000
<p>Note payable to a financial institution, due in monthly installments of \$2,762 including interest at 3%, through September 2019.</p>	153,760	181,843
	5,593,760	5,806,843
<p>Less: current maturities</p>	(218,930)	(213,075)
	\$ 5,374,830	\$ 5,593,768

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2014 and 2013

NOTE F - LONG-TERM DEBT (continued)

Future maturities of the long-term debt are as follows:

	<u>Year ending September 30,</u>	
	2015	\$ 218,930
	2016	229,812
	2017	240,719
	2018	251,653
	2019	267,615
	Thereafter	<u>4,385,031</u>
		5,593,760
Less: current maturities		<u>(218,930)</u>
Long-term portion		<u><u>\$ 5,374,830</u></u>

The debt is collateralized by a deed of trust on the real property, certain personal property, and a security interest in the gross revenues of the Organization.

Interest costs on the long-term debt have been charged to other operating expenses and amounted to \$292,407 and \$300,941 for the years ended September 30, 2014 and 2013, respectively.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2014 and 2013

NOTE G - UNEARNED ENTRANCE FEES AND GUARANTEED REFUNDS

Changes in unearned entrance fees and guaranteed refunds are as follows:

	Unearned Entrance Fees	Guaranteed Refunds	Total
Balance at September 30, 2012	\$ 4,055,797	\$ 1,181,715	\$ 5,237,512
Net entrance fees received	1,396,493	339,835	1,736,328
	<u>5,452,290</u>	<u>1,521,550</u>	<u>6,973,840</u>
Add: entrance fees receivable	67,758	135,515	203,273
Less: amounts included in revenues	(878,779)	-	(878,779)
Less: refunds	<u>(122,056)</u>	<u>(128,905)</u>	<u>(250,961)</u>
Balance at September 30, 2013	4,519,213	1,528,160	6,047,373
Net entrance fees received	1,350,305	444,705	1,795,010
	<u>5,869,518</u>	<u>1,972,865</u>	<u>7,842,383</u>
Add: entrance fees receivable	-	-	-
Less: amounts included in revenues	(885,509)	-	(885,509)
Less: refunds	<u>(17,745)</u>	<u>-</u>	<u>(17,745)</u>
Balance at September 30, 2014	<u>\$ 4,966,264</u>	<u>\$ 1,972,865</u>	<u>\$ 6,939,129</u>

Unearned entrance fees are reflected in the consolidated statements of financial position as follows:

	2014	2013
Unearned entrance fees - refundable	\$ 2,685,072	\$ 2,512,775
Unearned entrance fees - non-refundable	<u>2,281,192</u>	<u>2,006,438</u>
Total unearned entrance fees	<u>\$ 4,966,264</u>	<u>\$ 4,519,213</u>

Continuing care retirement communities are required to report a liability recognizing an obligation to provide future services and the use of the facilities to current residents in excess of related anticipated revenues, when the present value of future net cash outflows plus depreciation to be charged related to the contracts exceeds the unearned entrance fees. A calculation of the obligation for future services was done as of September 30, 2014. There was no obligation for future services at September 30, 2014 as the projected revenues exceeded projected expenses by approximately \$12,377,161, discounted to approximately \$7,399,160. The interest rate used to discount the liability (asset) was 5%.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2014 and 2013

NOTE H - UNRESTRICTED NET ASSETS - BOARD DESIGNATED

Board Designated for Endowment

Certain gifts and realized and unrealized gains or losses on these gifts have been internally appropriated by the Board of Directors to be maintained similar to an endowment fund. Dissolution of this appropriation requires a 3/4 vote of the full Board. The Organization does not have any donor restricted endowment funds.

The Board of Directors adopted a spending policy for the board designated endowment fund with an objective of allocating 3% of the fund balance annually (based on the rolling average of the 12 preceding quarters' balances) to fund various projects at the discretion of the Board.

The investment objective is to provide liquidity for debt service, operations, projects, and capital needs as required. The asset allocations are set up to maintain approximately 35% of the assets in fixed income investments with the remaining assets in equities with large market capitalization and a high level of liquidity.

Board Designated for Capital Replacement

In accordance with the loan agreement with the State of California Health Facilities Financing Agency (refer to Note F), Aldersly is required to establish a reserve to be used for capital improvements. At September 30, 2014 and 2013, there was no requirement to fund this reserve due to the extent of capital improvements in the respective prior year.

Board Designated for Hardship Assistance

The Board Designated Hardship Assistance fund was established to provide assistance to residents who have developed a financial need due to unforeseen or uncontrollable circumstances. The Board of the Organization has established a set of guidelines to be used in considering applications for hardship assistance each year.

Board Designated for Living Room Project

The Board Designated Living Room Project fund was established to provide partial funding for the living room remodel project at the Aldersly facilities. The Board has not yet determined the full cost of the project and will be designating additional funds as necessary in the future to cover anticipated costs.

Board Designated for Elevator Project

The Board has designated \$250,000 to add an elevator at the facility. The Board has not yet determined the full cost of the project and will be designating additional funds as necessary in the future to cover anticipated costs.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2014 and 2013

NOTE H - UNRESTRICTED NET ASSETS - BOARD DESIGNATED (continued)

Changes in unrestricted net assets - board designated are as follows:

	Endowment	Care Fund	Living Room Project	Elevator Project	Total
Balances at September 30, 2012	\$ 4,028,256	\$ 200,895	\$ -	\$ -	\$ 4,229,151
Donations allocated to endowment	123,160	-	-	-	123,160
Designated investment gain	581,478	-	(68,064)	-	513,414
Amounts allocated by the board	-	240	866,004	-	866,244
Amounts spent for resident assistance	-	(10,232)	-	-	(10,232)
Amounts spent for remodeling costs	-	-	-	-	-
Balances at September 30, 2013	4,732,894	190,903	797,940	-	5,721,737
Donations allocated to endowment	6,272	-	-	-	6,272
Designated investment gain (loss)	502,967	-	-	-	502,967
Amounts allocated by the board	-	4,050	-	250,000	254,050
Amounts spent for resident assistance	-	(13,335)	-	-	(13,335)
Amounts spent for remodeling costs	-	-	(32,638)	-	(32,638)
Balances at September 30, 2014	<u>\$ 5,242,133</u>	<u>\$ 181,618</u>	<u>\$ 765,302</u>	<u>\$ 250,000</u>	<u>\$ 6,439,053</u>

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2014 and 2013, temporarily restricted net assets were held for the following purpose:

Aldersly Care Fund      \$ 80,425

NOTE J - RETIREMENT PLAN

The Organization has an Internal Revenue Code section 401(k) retirement plan. Plan participants may elect to defer a portion of their compensation (up to the maximum allowed by law) and have such salary deferrals contributed to their plan accounts. The Organization matches up to 4% of the employee's salary. Matching contributions for the years ended September 30, 2014 and 2013 were \$47,598 and \$52,113, respectively. The Plan also provides for discretionary employer profit sharing contributions to the Plan. There were no discretionary contributions made for the years ended September 30, 2014 and 2013.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2014 and 2013

NOTE K - STATEMENTS OF CASH FLOWS - ADDITIONAL DISCLOSURES

Reconciliation of change in net assets to net cash flows provided by operating activities for the years ended September 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Change in net assets	\$ 2,410,958	\$ 2,680,169
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in unearned entrance fees		
Net entrance fees received	1,350,305	1,396,493
Revenue recognized/refunds	(903,254)	(933,077)
Change in return of capital contracts received	444,705	346,445
Amortization of deferred financing costs	33,242	33,242
Depreciation	595,815	577,207
In-kind donations	(8,293)	-
Stock donations	(6,304)	(989,139)
Loss on asset disposal	64,646	32,239
Net realized/unrealized (gain) on investments	(1,155,122)	(1,334,329)
Changes in operating assets and liabilities		
Accounts receivable - residents	(26,422)	62,972
Guaranteed refunds	203,273	308,535
Accounts receivable - other	(23,289)	8
Interest and dividends receivable	(114)	(457)
Prepaid expenses	(74,917)	(23,619)
Bequest receivable	(800,000)	-
Accounts payable and accrued expenses	(30,679)	(21,245)
Deposit liability	(11,692)	83,551
Net cash provided by operating activities	<u>\$ 2,062,858</u>	<u>\$ 2,218,995</u>

NOTE L - RELATED PARTY TRANSACTIONS

For the years ended September 30, 2014 and 2013, the Organization paid \$38,208 each year to the medical director who also serves as a board member.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2014 and 2013

NOTE M - COMMITMENTS AND CONTINGENCIES

Legal proceedings

From time to time the Organization is involved in litigation arising out of claims from the normal operations of the Organization. Based on the information presently available, management believes that there are no claims or actions pending or threatened against the Organization which will have a material adverse effect on the consolidated financial position, liquidity or results of operations, although the results of the litigation are inherently uncertain and adverse outcomes are possible.

Leases

The Organization consolidated all of its agreements to service and replace, if needed, all of its printers and copiers in previous fiscal years. The term of the amended agreement is 60 months at \$1,455 per month through August 2016.

Future minimum payments required under the agreement are as follows:

Year ending September 30,

2015	\$	17,460
2016		<u>11,640</u>
	\$	<u>29,100</u>

The Organization does not have any amounts accumulated for contingencies or amounts that are accumulated for expected or identified projects or purposes.

Service agreement

The Organization entered into a five year agreement with a vendor for various nutrition services commencing in March 2013. During the year ended September 30, 2014, the vendor purchased approximately \$100,000 of equipment and enhancements which were installed at the Organization. Pursuant to the agreement, ownership of the assets transfers to the Organization proportionally over a five year period commencing at the asset purchase date. Should the agreement expire or be terminated prior to the complete amortization of the transfer of ownership, the Organization shall reimburse the vendor for any unamortized portion. At September 30, 2014, the unearned vendor credit was \$93,227.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2014 and 2013

NOTE M - COMMITMENTS AND CONTINGENCIES (continued)

Service agreement (continued)

The expected future income from this credit is as follows:

<u>Year ending September 30,</u>	
2015	\$ 20,304
2016	20,304
2017	20,304
2018	20,304
2019	12,011
	<hr/>
	\$ 93,227
	<hr/>



SUPPLEMENTAL INFORMATION

Aldersly and Subsidiary

SCHEDULES OF GENERAL OPERATING EXPENSES

Years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Plant		
Salaries and wages	\$ 249,552	\$ 266,421
Utilities	236,694	213,201
Other purchased services	219,766	204,103
Maintenance and repairs	89,657	81,232
Payroll taxes and related benefits	71,857	71,717
Supplies	47,570	74,482
	<u>915,096</u>	<u>911,156</u>
Environmental services		
Salaries and wages	163,583	156,069
Linen and bedding	57,395	48,620
Payroll taxes and related benefits	48,482	34,381
Supplies	26,464	27,708
Other	3,400	4,811
	<u>299,324</u>	<u>271,589</u>
Food services		
Salaries and wages	433,941	404,848
Food	409,342	394,334
Other purchased services	243,971	249,886
Payroll taxes and related benefits	102,770	94,764
Supplies	16,216	30,539
Catering	18,817	20,475
Other	6,225	5,460
	<u>1,231,282</u>	<u>1,200,306</u>
Resident services		
Salaries and wages	89,080	81,160
Payroll taxes and related benefits	25,589	21,960
Activities	68,782	72,519
Other	-	1,591
	<u>183,451</u>	<u>177,230</u>

Aldersly and Subsidiary

SCHEDULES OF GENERAL OPERATING EXPENSES (continued)

Years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Health center		
Salaries and wages	899,077	895,805
Payroll taxes and related benefits	188,266	185,112
Therapy	183,044	259,407
Professional fees	67,828	69,350
Drugs	44,423	70,742
Minor equipment	36,868	32,045
Activities	20,532	20,965
Ancillaries	8,217	14,362
Travel and entertainment	5,670	2,277
Other nonmedical supplies	3,556	7,733
Education	3,522	6,973
Recruiting	75	8,525
Other	1,557	1,582
Licenses and fees	343	21,646
	<u>1,462,978</u>	<u>1,596,524</u>
Assisted living		
Salaries and wages	791,840	757,646
Payroll taxes and related benefits	147,189	135,136
Other nonmedical supplies	29,289	30,437
Professional fees	22,925	22,925
Consultants	6,853	1,008
Other	3,204	4,139
Maintenance and repairs	1,317	1,710
Activities	160	245
	<u>1,002,777</u>	<u>953,246</u>
TOTAL GENERAL OPERATING EXPENSES	<u>\$ 5,094,908</u>	<u>\$ 5,110,051</u>

Aldersly and Subsidiary

SCHEDULES OF MARKETING EXPENSES

Years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Advertising	\$ 86,691	\$ 68,382
Promotion and sales	64,316	75,313
Development expense	31,745	-
Other	3,895	7,067
Printing	6,822	23,512
Postage	4,622	2,574
	<u>          </u>	<u>          </u>
TOTAL MARKETING EXPENSES	<u>\$ 198,091</u>	<u>\$ 176,848</u>

Aldersly and Subsidiary

SCHEDULES OF ADMINISTRATIVE EXPENSES

Years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Management fee	\$ 338,819	\$ 321,345
Salaries and wages	266,893	254,693
Other purchased services	198,681	189,829
Other professional services	187,760	126,439
Insurance	166,507	159,321
Property taxes	109,144	102,145
Payroll taxes and related benefits	64,758	58,931
Professional accounting services	45,123	43,104
Telephone	28,143	20,808
Bad debts	35,020	491
Licenses and fees	10,088	3,875
Recruiting	4,575	529
Other	9,686	3,793
Maintenance and repairs	27,226	29,801
Travel and transportation	21,211	22,597
Data communication and connect charges	20,128	17,601
Dues and subscriptions	16,029	17,877
Office supplies	8,117	13,336
Postage	3,629	3,930
	<u>          </u>	<u>          </u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 1,561,537</u>	<u>\$ 1,390,445</u>

R E C E I V E D  
FEB 03 2015

CONTINUING CARE  
CONTRACTS BRANCH

ALDERSLY AND SUBSIDIARY  
CONTINUING CARE RESERVE REPORT AND  
INDEPENDENT AUDITORS' REPORT

September 30, 2014



RECEIVED  
FEB 12 2015

CONTINUING CARE  
CONTRACTS BRANCH

January 29, 2015

DZH Phillips, LLP  
135 Main Street, 9<sup>th</sup> Floor  
San Francisco, California 94105

Ladies and Gentlemen,

We are providing this letter in connection with your audit of the continuing care reserves report of Aldersly and Subsidiary for the year ended September 30, 2014 for the purpose of expressing an opinion as to whether the continuing care reserves report presents fairly, in all material respects, the continuing care reserve requirements of Aldersly and Subsidiary in conformity with the report preparation provisions of California Health and Safety Code Section 1792. We confirm that we are responsible for the fair presentation of the reserve requirements in the continuing care reserves report in conformity with the report preparation provisions of California Health and Safety Code Section 1792. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve the omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of January 29, 2015, the following representations made to you during your audit.

1. The continuing care reserves report referred to above is fairly presented in conformity with the report preparation provisions of California Health and Safety Code Section 1792.
2. We have made available to you all financial records and related data.
3. Except as disclosed to you, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

(415) 453-7425 • Fax (415) 453-6377  
326 Mission Avenue, San Rafael, CA 94901

[www.aldersly.com](http://www.aldersly.com)

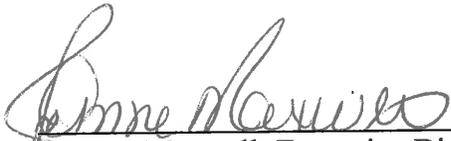
# Aldersly

Est. 1921

GARDEN RETIREMENT COMMUNITY

4. There are no material transactions that have not been properly recorded in the accounting records underlying the continuing care reserves report.

ALDERSLY

  
JoAnne Maxwell, Executive Director

(415) 453-7425 • Fax (415) 453-6377  
326 Mission Avenue, San Rafael, CA 94901

[www.aldersly.com](http://www.aldersly.com)



CALIFORNIA LICENSE NO. 216R01686 COA #004  
A NOT-FOR-PROFIT CONTINUING CARE RETIREMENT COMMUNITY



INDEPENDENT AUDITORS' REPORT

Board of Directors  
Aldersly

**Report on the Continuing Care Reserve Report**

We have audited the accompanying continuing care reserve report ("Report") of Aldersly and Subsidiary as of September 30, 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 Aldersly and Subsidiary'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 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 Aldersly and Subsidiary'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 Aldersly and Subsidiary'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 Aldersly and Subsidiary as of September 30, 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 Aldersly and Subsidiary 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  
January 29, 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	09/25/02	\$185,000	\$28,337		\$472,337
2	09/01/04	\$28,070	\$3,070		\$33,153
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>			\$292,407	\$0	\$505,490

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

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

**PROVIDER:** ALDERSLY

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

	(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))
Long-Term Debt Obligation					
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>		\$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: ALDERSLY**

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

<b>Line</b>		<b>TOTAL</b>
1	Total from Form 5-1 bottom of Column (e)	\$505,490
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	<b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<b>\$505,490</b>

**PROVIDER: ALDERSLY**

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	<u>\$7,874,980</u>
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	<u>\$292,407</u>
b.	Credit enhancement premiums paid for long-term debt (see instructions)	<u>NONE</u>
c.	Depreciation	<u>\$595,815</u>
d.	Amortization	<u>\$33,242</u>
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$2,427,227</u>
f.	Extraordinary expenses approved by the Department	<u>NONE</u>
3	Total Deductions	<u>\$3,348,691</u>
4	Net Operating Expenses	<u>\$4,526,289</u>
5	Divide Line 4 by 365 and enter the result.	<u>\$12,401</u>
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.	<u><u>\$930,059</u></u>

**PROVIDER:** ALDERSLY

**COMMUNITY:** \_\_\_\_\_

**ATTACHMENT TO FORM 5-5  
ANNUAL RESERVE CERTIFICATION**

Provider Name: ALDERSLY  
Fiscal Year Ended: SEPTEMBER 30, 2014

Aldersly currently maintains its Debt Service Reserve of \$505,490 and its Operating Reserve of \$930,059 by investing in corporate stocks and bonds, U.S. government obligations, cash equivalents and mutual funds with a combined value of \$20,261,706 at September 30, 2014.

As part its bond financing, Aldersly has \$727,873 in reserves held by the bond trustee.

There are no other funds specifically held for identified projects or purposes or any funds maintained or designated for specific contingencies except for board designated reserves of \$6,439,053 and the temporarily restricted net assets of \$80,425. The income from the board designated reserves may be used for assistance to residents or other specific projects identified by the board from time to time.

Total operating expenses for the year ended September 30, 2014 amounted to \$7,874,980. This amount, divided by the mean number of all residents for the year of 99, results in per capita costs of operation of \$79,545.

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
<b>[1]</b> Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$3,513 to \$4,986</u>	<u>\$4,497 to \$5,218</u>	<u>\$8,400 to \$9,000</u>
<b>[2]</b> Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3% - 3.75%</u>	<u>0%</u>	<u>0%</u>

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

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

**[4]** Check each of the appropriate boxes:

- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this 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:** ALDERSLY  
**COMMUNITY:** \_\_\_\_\_

ALDERSLY

FORM 7-1 INCREASES IN MONTHLY SERVICE FEES

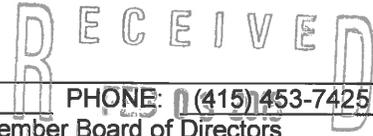
Year ended September 30, 2014

Increases in monthly service fees

Aldersly's continuing 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. For the year ended September 30, 2014, the average increase in service fees for residential living was 3 - 3.75%. There was no increase in services fees for assisted living or skilled nursing for the year ended September 30, 2014.

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

Date Prepared: 1/29/2015



FACILITY NAME: Aldersly Garden Retirement Community  
 ADDRESS: 326 Mission Blvd, San Rafael, California ZIP CODE: 94901 PHONE: (415) 453-7425  
 PROVIDER NAME: Aldersly FACILITY OPERATOR: 17 Member Board of Directors  
 RELATED FACILITIES: None RELIGIOUS AFFILIATION: None CONTINUING CARE CONTRACT: BOTH  
 YEAR OPENED: 1921 NO. OF ACRES: 3+ MULTI-STORY: \_\_\_\_\_ SINGLE STORY: \_\_\_\_\_  
 MILES TO SHOPPING CTR: 2 Blocks MILES TO HOSPITAL: 4 miles

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>15</u>	ASSISTED LIVING <u>30</u>
APARTMENTS - 1 BDRM	<u>41</u>	SKILLED NURSING <u>20</u>
APARTMENTS - 2 BDRM	_____	SPECIAL CARE _____
COTTAGES/HOUSES	_____	DESCRIBE SPECIAL CARE: _____
% OCCUPANCY AT YEAR END	<u>89.62%</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: 50% after 4 years

RANGE OF ENTRANCE FEES: \$87,700 TO \$229,500 LONG-TERM CARE INSURANCE REQUIRED?  Y  N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Priority Placement into SNF & Assisted Living

ENTRY REQUIREMENTS: MIN. AGE: 60 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 checked="" type="checkbox"/>	<input type="checkbox"/>	HOUSEKEEPING TIMES/MONTH	<u>2x</u>
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>3x</u>
BOWLING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>Yes</u>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>
CRAFT ROOMS	<input 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 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 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"/>		<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: Aldersly

**CCRCs**

**LOCATION (City, State)**

**PHONE (with area code)**


**MULTI-LEVEL RETIREMENT COMMUNITIES**


**FREE-STANDING SKILLED NURSING**


**SUBSIDIZED SENIOR HOUSING**


**\* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.**

PROVIDER NAME: Aldersly

	2011	2012	2013	2014
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	6,508,179	6,687,619	6,672,943	7,018,284
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, & interest)	6,296,485	6,696,611	6,765,236	6,953,516
<b>NET INCOME FROM OPERATIONS</b>	211,694	(8,992)	(92,293)	64,768
<b>LESS INTEREST EXPENSE</b>	325,468	308,893	300,941	292,407
<b>PLUS CONTRIBUTIONS</b>	159,729	61,865	1,086,165	850,522
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	(164,277)	1,967,064	1,713,908	1,513,624
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	(118,322)	1,711,044	2,406,839	2,136,507
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	449,675	1,334,485	1,485,367	1,777,265

**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	5,440,000	2.00-5.25%	09/25/02	03/01/32	30 Years
CHFFA	153,760	3.00%	09/01/04	09/01/19	15 Years

**FINANCIAL RATIOS (see next page for ratio formulas)**

	2013 CCAC Medians 50 <sup>th</sup> Percentile (optional)	2012	2013	2014
<b>DEBT TO ASSET RATIO</b>		21.85%	19%	16%
<b>OPERATING RATIO</b>		104.75%	100.6%	103.2%
<b>DEBT SERVICE COVERAGE RATIO</b>		0.15	.13	.14
<b>DAYS CASH-ON-HAND RATIO</b>		625	911	1,021

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

	2011	%	2012	%	2013	%	2014
STUDIO	3,320	1.9	3,386	0.0	3,386	3.8	3,513
ONE BEDROOM	4,267	1.6	4,336	0.0	4,336	3.0	4,465
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING	169/Day	1.1	173/Day	0.0	173/Day	0.0	173/Day
SKILLED NURSING	280/Day	0.0	280/Day	0.0	280/Day	0.0	280/Day
SPECIAL CARE							

**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

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

**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.