ANNUAL REPORT CHECKLIST

for

FISCAL YEAR ENDED:
6/30/2015

PROVIDER: 899 CHARLESTON

FACILITY(IES): MOLDAW RESIDENCES

CONTACT PERSON: TERRY SCOTT

TELEPHONE NO.: (415) 562-2601

✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓

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

✓ This cover sheet.

✓ Annual Provider Fee in the amount of: $ 9,663.00

- ✓ If applicable, late fee in the amount of: $ 0

✓ 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. (4 copies total)

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)

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	218
[2]	Number at end of fiscal year	219
[3]	Total Lines 1 and 2	437
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	218.5
	All Residents	
[6]	Number at beginning of fiscal year	233
[7]	Number at end of fiscal year	231
[8]	Total Lines 6 and 7	464
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	232
[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).	0.94

FORM 1-2
ANNUAL PROVIDER FEE

Line				TOTAL
[1]		Total Operating Expenses (including depreciation and debt service - interest only)		$17,051,644
	[a]	Depreciation	$4,139,941	
	[b]	Debt Service (Interest Only)	$2,651,901	
[2]		Subtotal (add Line 1a and 1b)		$6,791,842
[3]		Subtract Line 2 from Line 1 and enter result.		$10,259,802
[4]		Percentage allocated to continuing care residents (Form 1-1, Line 11)		94%
[5]		Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$9,662,788
				x .001
[6]		**Total Amount Due** (multiply Line 5 by .001)		$9,663

PROVIDER: 899 Charleston DBA: Moldaw Family Residences FYE 6/30/15
COMMUNITY: Moldaw Family Residences

ACORD

EBRITO

EVIDENCE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY) 10/28/2015

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

RECEIVED OCT 30 2015 CONTINUING CARE CONTRACTS BRANCH

AGENCY — PHONE (A/C, No, Ext): (800) 366-7050 San Ramon, CA - HUB International Insurance Services Inc. P. O. Box 5076 San Ramon, CA 94583	COMPANY Philadelphia Indemnity Insurance Company
FAX (A/C, No): (925) 905-5584 — E-MAIL ADDRESS: cal.cpu@hubinternational.com	
CODE: — SUB CODE:	
AGENCY CUSTOMER ID #: 899CHAR-01 — License # 0757776	
INSURED 899 Charleston dba: Moldaw Family Residences @899 Charleston 899 East Charleston Road Palo Alto, CA 94303	LOAN NUMBER: POLICY NUMBER: PHSD1055565 EFFECTIVE DATE: 7/1/2015 EXPIRATION DATE: 7/1/2016 CONTINUED UNTIL TERMINATED IF CHECKED: ☐ THIS REPLACES PRIOR EVIDENCE DATED:

PROPERTY INFORMATION

LOCATION/DESCRIPTION

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 EVIDENCE OF PROPERTY INSURANCE 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.

COVERAGE INFORMATION

COVERAGE / PERILS / FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE

REMARKS (Including Special Conditions)

Special Conditions:

See attached Crime Protection Plus Declarations for Covered Property/Limits

CANCELLATION

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

ADDITIONAL INTEREST

NAME AND ADDRESS	☐ MORTGAGEE ☐ ADDITIONAL INSURED ☐ LOSS PAYEE
	LOAN #
For Insurance Purposes Only	AUTHORIZED REPRESENTATIVE

ACORD 27 (2009/12)

PI-CRP-01 (06/05)

PHILADELPHIA INSURANCE COMPANIES
A Member of the Tokio Marine Group

One Bala Plaza, Suite 100
Bala Cynwyd, Pennsylvania 19004
610.617.7900 Fax 610.617.7940
PHLY.com

Philadelphia Indemnity Insurance Company

CRIME PROTECTION PLUS DECLARATIONS

Policy Number: PHSD1055565

In return for the payment of the premium, and subject to all the terms of this Policy, we agree with you to provide the insurance stated in this Policy.

DECLARATIONS

ITEM

1. Named Insured: 899 Charleston dba: Moldaw
   Family Residences @899 Charleston.
2. Mailing Address: 302 Silver Ave
   San Francisco, CA 94112-1510

3. Policy Period: from 07/01/2015 to 07/01/2016
   (12:01 A.M. Standard Time at Your Mailing Address)

4. Coverages, Limits of Insurance and Deductibles:

☒ Loss Sustained Option ☐ Discovery Option
(If no box is checked, the Loss Sustained Option shall apply)

Insuring Agreements, Limit of Insurance and Deductible Amounts shown below are subject to all of the terms of this policy that apply.

Insuring Agreements Forming Part of This Policy	Limit of Insurance	Deductible Amount
A1. EMPLOYEE THEFT AND CLIENT COVERAGE	$ 500,000	$ 5,000
A2. ERISA FIDELITY	$ 500,000	$ NIL
B. FORGERY OR ALTERATION, including Credit, Debit, or Charge Card Extension ($25,000 limit)	$ 500,000	$ 5,000
C. INSIDE THE PREMISES	$ 50,000	$ 2,500
D. OUTSIDE THE PREMISES	$ 50,000	$ 2,500
E. MONEY ORDERS AND COUNTERFEIT PAPER CURRENCY	$ 50,000	$ 2,500
F. COMPUTER FRAUD AND FUNDS TRANSFER FRAUD	$ 500,000	$ 5,000

5. Form Numbers of Endorsements Forming Part of This Policy When Issued: SEE SCHEDULE
6. Cancellation of Prior Insurance: By acceptance of this Policy, you give us notice canceling prior policies or bonds numbered: n/a ____________________ the cancellations to be effective at the time this policy becomes effective.

This Policy has been signed by the Company's President and Secretary.

MOLDAW RESIDENCES

INSPIRED RETIREMENT LIVING
Taube Koret Campus for Jewish Life

Jewish Senior Living Group

RECEIVED
OCT 30 2015
CONTINUING CARE
CONTRACTS BRANCH

October 30, 2015

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

RE: 899 Charleston DBA: Moldaw Family Residences

Dear Sir/Madam,

This is to certify the following:

The annual report and disclosure statement are correct to the best of my knowledge.

The continuing care contracts that are in use and offered to new residents have been approved by the Department.

We are maintaining the required liquid reserve.

Sincerely,

Daniel Ruth
Trustee

Report of Independent Auditors and
Financial Statements

899 Charleston
(dba Moldaw Residences)

June 30, 2015 and 2014

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

CONTENTS

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

To the Audit Commitee
899 Charleston (dba Moldaw Residences)

Report on the Financial Statements

We have audited the accompanying financial statements of 899 Charleston dba Moldaw Residences (the "Organization"), which comprise the statements of financial position as of June 30, 2015 and 2014 and the related statements of revenues, expenses and other changes in unrestricted net assets (deficit), statements of changes in net assets (deficit), and statements of 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 899 Charleston dba Moldaw Residences as of June 30, 2015 and 2014 and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Francisco, California
October 27, 2015

FINANCIAL STATEMENTS

899 CHARLESTON DBA MOLDAW RESIDENCES
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	$ 14,242,160	$ 821,760
Assets limited as to use (Note 4)	-	13,115,321
Accounts receivable	99,920	82,223
Notes receivable	-	2,020,066
Pledge receivables, net	1,089	371,215
Prepaid expense and other current assets	383,508	600,800
Other receivables	39,271	88,495
Total current assets	14,765,948	17,099,880
ASSETS LIMITED AS TO USE, net of current portion	4,450,312	8,978,388
PLEDGE RECEIVABLES, NET, less current portion	-	127,928
PROPERTY AND EQUIPMENT, NET	124,328,145	128,109,663
BOND ISSUANCE COSTS, NET	1,772,563	280,336
BENEFICIAL INTEREST IN JEWISH HOME & SENIOR LIVING FOUNDATION	5,951,044	5,574,736
DEFERRED MARKETING COSTS, NET	1,411,938	1,744,159
Total assets	$ 152,679,950	$ 161,915,090

See accompanying notes.

	2015	2014
CURRENT LIABILITIES		
Accounts payable	$ 403,417	$ 650,630
Entrance fee refund payable	2,143,800	633,600
Accrued liabilities	912,937	242,594
Deferred monthly fees and other liabilities	25,005	74,619
Refundable deposits	1,364,715	1,449,665
Intercompany payable	47,878	58,718
Current portion of loans payable	900,000	1,891,000
Current portion of bonds payable	695,000	7,712,000
Total current liabilities	6,492,752	12,712,826
LOANS PAYABLE, NET OF CURRENT PORTION	3,480,005	20,745,445
BONDS PAYABLE, NET OF CURRENT PORTION	71,557,926	53,418,000
REFUNDABLE ENTRANCE FEES, net of current portion	93,722,391	95,411,720
DEFERRED REVENUE FROM ENTRANCE FEES	11,581,639	11,566,595
FUTURE SERVICE BENEFIT OBLIGATION	5,697,586	-
Total liabilities	192,532,299	193,854,586
NET ASSETS (DEFICIT)		
Unrestricted	(46,127,408)	(38,408,913)
Temporarily restricted	1,779,579	2,348,935
Permanently restricted	4,495,480	4,120,482
Total net deficit	(39,852,349)	(31,939,496)
Total liabilities and net deficit	$ 152,679,950	$ 161,915,090

See accompanying notes.

899 CHARLESTON DBA MOLDAW RESIDENCES
STATEMENTS OF REVENUES, EXPENSES AND OTHER CHANGES IN UNRESTRICTED NET ASSETS (DEFICIT)
Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING REVENUES AND SUPPORT		
Revenues and gains		
Resident fees	$ 10,144,617	$ 8,669,200
Amortization of entrance fees	2,607,540	2,166,354
Fees for services and other income	563,549	414,642
Interest income	2,556	2,343
Change in future service benefit obligation	(5,697,586)	-
Total revenues and gains	7,620,676	11,252,539
Support		
Unrestricted contributions	4,841	143
Total operating revenues and support	7,625,517	11,252,682
EXPENSES		
Depreciation	4,139,941	4,050,564
Marketing and advertising	890,027	2,493,350
Dining services	2,390,136	2,419,162
Line of credit and remarketing fees	512,540	1,428,834
Plant operations	1,635,003	1,487,545
General and administrative	2,104,141	1,712,719
Activities and resident services	1,145,960	1,095,554
Memory support and assisted living services	1,221,348	1,177,426
Interest expense	2,651,901	1,458,410
Housekeeping	360,647	353,405
Fundraising	-	15,413
Total expenses	17,051,644	17,692,382
CHANGE IN UNRESTRICTED NET DEFICIT FROM OPERATIONS BEFORE OTHER EXPENSE AND OTHER CHANGES IN NET DEFICIT	(9,426,127)	(6,439,700)
OTHER INCOME (EXPENSE)		
Discount on loan	1,619,995	-
Debt restructuring fees	(84,233)	(478,448)
Total other income (expense)	1,535,762	(478,448)
OTHER CHANGES IN NET DEFICIT		
Net assets released from restrictions - satisfaction of purpose	2,307	1,302
Net assets released from restrictions - satisfaction of time	169,563	508,680
Total other changes in net assets	171,870	509,982
CHANGE IN UNRESTRICTED NET DEFICIT	(7,718,495)	(6,408,166)
UNRESTRICTED NET DEFICIT, beginning of year	(38,408,913)	(32,000,747)
UNRESTRICTED NET DEFICIT, end of year	$ (46,127,408)	$ (38,408,913)

See accompanying notes.

	2015	2014
UNRESTRICTED NET DEFICIT		
Change in unrestricted net deficit	$ (7,718,495)	$ (6,408,166)
Change in unrestricted net deficit	(7,718,495)	(6,408,166)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	756	47,028
Bad debt expense related to restricted contributions	(524,551)	120,501
Net assets released from restrictions - satisfaction of purpose	(2,307)	(1,302)
Net assets released from restrictions - satisfaction of time	(169,563)	(508,680)
Change in beneficial interest in Jewish Home & Senior Living Foundation	126,309	673,446
Increase in temporarily restricted net assets	(569,356)	330,993
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	374,998	275,000
Increase in permanently restricted net assets	374,998	275,000
CHANGE IN NET DEFICIT	(7,912,853)	(5,802,173)
NET DEFICIT, beginning of year	(31,939,496)	(26,137,323)
NET DEFICIT, end of year	$ (39,852,349)	$ (31,939,496)

See accompanying notes.

899 CHARLESTON DBA MOLDAW RESIDENCES
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from resident fees	$ 10,126,920	$ 8,688,486
Cash received from entrance fees	3,187,593	1,152,918
Cash received from services and other income	575,641	434,063
Interest income received	2,556	2,343
Cash received from contributions	4,841	143
Cash paid for interest on long-term debt	(1,692,486)	(86,087)
Cash paid for line of credit and remarketing fees	(320,412)	(1,375,074)
Cash paid to suppliers, employees and others	(9,809,347)	(10,537,309)
Cash paid for debt restructuring fees	(84,233)	(478,448)
Net cash provided by (used in) operating activities	1,991,073	(2,198,965)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(358,030)	(595,977)
Decrease in assets limited as to use	17,643,397	6,242,933
Change in refundable deposits	(84,950)	209,615
Increase in other receivables	(32)	(25)
Increase in beneficial interest in Jewish Home & Senior Living Foundation	(249,999)	(275,000)
Net provided by investing activities	16,950,386	5,581,546
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of bond principal	(61,130,000)	(21,700,000)
Payments of loan principal	(16,636,445)	(5,343,868)
Proceeds from bond issuance	70,436,806	-
Proceeds from restricted contributions	497,298	1,293
Proceeds from capital campaign contributions	46,994	393,477
Entrance fees received	7,151,890	28,325,485
Entrance fees refunded	(5,887,602)	(5,609,587)
Net cash used in financing activities	(5,521,059)	(3,933,200)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,420,400	(550,619)
CASH AND CASH EQUIVALENTS, beginning of year	821,760	1,372,379
CASH AND CASH EQUIVALENTS, end of year	$ 14,242,160	$ 821,760

See accompanying notes.

	2015	2014
RECONCILIATION OF CHANGE IN NET DEFICIT TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Change in net deficit	$ (7,912,853)	$ (5,802,173)
Adjustments to reconcile change in net deficit to net cash provided by (used in) operating activities		
Amortization of entrance fees	(2,607,540)	(2,166,354)
Amortization of deferred marketing costs	332,221	332,221
Amortization of bond issuance costs	323,893	841,006
Amortization of loan discount	-	508,680
Discount on loan	(1,619,995)	-
Depreciation	4,139,548	4,078,399
Contributions restricted for a specific purpose	756	(1,293)
Contributions restricted for capital campaign, net	-	(383,620)
Change in beneficial interest in Jewish Home & Senior Living Foundation	(126,309)	(673,446)
Change in future service benefit obligation	5,697,586	-
Changes in operating assets and liabilities		
Increase in accounts receivable	(17,697)	(34,932)
Decrease in prepaid expense and other current assets	217,292	20,106
Decrease in other receivables	2,262	564
Decrease in accounts payable	(247,213)	(176,185)
Increase in entrance fee refund payable	1,510,200	-
Increase in accrued liabilities, deferred monthly fees and other liabilities	620,729	105,144
Entrance fees received	1,678,193	1,152,918
Net cash provided by (used in) operating activities	$ 1,991,073	$ (2,198,965)
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 1,692,486	$ 86,087

See accompanying notes.

NOTE 1 – NATURE OF ACTIVITIES

899 Charleston dba Moldaw Residences (the "Organization") was established on March 30, 2006, as a nonprofit public benefit corporation in the State of California. The specific and primary purposes of the Organization are: (1) to provide residential facilities which are specifically designated to meet a combination of physical, emotional, recreation, social and similar needs of aged persons; (2) to maintain arrangements with organizations, facilities, and/or health personnel to address the well-being of the residents; and (3) to adopt policies and procedures designed to address the need of the residents for protection against financial risks associated with the later years of life.

In 2007, 899 Charleston, LLC (the "LLC") was formed in order to facilitate the bond financing transaction for the 899 Charleston project (the "Project"). The Project included the construction of 193 continuing care retirement community units in Palo Alto, California, which became part of the network of living options, services, and care associated with the Hebrew Home for Aged Disabled (the "Home"). The LLC's rights and obligations under the bond and the Project were assigned to the Organization after it was recognized by the Internal Revenue Service as a tax-exempt organization. In an agreement with the City of Palo Alto, the Project provides a Below-Market Rate ("BMR") Program which includes, among other services, providing 24 housing units, 12 assisted living units and 12 independent living units, at entry fee levels that comply with the income and affordability standards prescribed by the BMR Program for 59 years. The Project also established a $5 million endowment for financial need with the stipulation that the income be restricted exclusively for the support of Jewish residents of 899 Charleston or accepted applicants who cannot afford a portion of either the entry fee or the continuing monthly costs.

Current economic conditions and liquidity – The past economic climate presented challenges to senior service providers, which in some cases has resulted in unanticipated declines in the fair values of investments and other assets, declines in occupancy, constraints on liquidity and difficulty obtaining financing. These conditions have affected the rate at which the Organization's residents fulfill or renew existing lease agreements and have affected the Organization's ability to fill unoccupied space, which have had an adverse impact on the Organization's operating results. The financial statements have been prepared using values and information currently available to the Organization.

Given the current economic conditions, the values of assets and liabilities recorded in the financial statements could change, resulting in potential future adjustments in investment values, real estate values and allowances for accounts and notes receivable that could impact the Organization's ability to meet debt covenants or maintain sufficient liquidity.

In October 2009, the construction of the facility was completed and the Organization commenced operations. As of June 30, 2015, 164 out of 170 available units are occupied. Additionally, as of June 30, 2015, 10 out of 12 assisted living units are occupied and all of the 11 memory support units are occupied.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of presentation – The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent unrestricted resources available to support the Organization's operations and temporarily restricted resources which became available for use by the Organization in accordance with the intentions of the donors.

Temporarily restricted net assets represent contributions that are limited in use by the Organization in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of the Organization according to the terms of the contribution. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets. If a restriction is fulfilled in the same fiscal year in which the contribution is received, the Organization classifies the support as unrestricted. Also included in the temporarily restricted net assets are earnings on the permanently restricted endowment which have not yet been appropriated for use.

Permanently restricted net assets represent contributions to be held as investments in perpetuity as directed by the original donor. The income from these contributions is primarily available to support the activities of the Organization as directed by the donors (Note 10).

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include deferred revenue from entrance fees, future service benefit obligation, recoverability of deferral costs and long lived assets, allowance and discounts on pledges receivable and fair value of the interest rate swap. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less, with the exception of cash and cash equivalents held as investments or whose use is limited or designated.

Fair value of financial instruments – Management has elected to value their financial instruments at fair value on an instrument by instrument basis. See Note 10 for fair value hierarchy.

Contributions and promises to give – Contributions which may include unconditional promises to give (pledges) are recognized at fair value as revenues in the period received or unconditionally pledged. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Promises to give are recorded at net realizable value if expected to be collected in one year and at the present value of their estimated future cash flows if expected to be collected in more than one year.

Conditional promises to give are recognized when the conditions on which they depend have been substantially met and the promises become unconditional. Conditional promises to give of approximately $530,000 and $500,000, as of June 30, 2015 and June 30, 2014 respectively, have not been recorded as the conditions established by the donor have not been met.

The Organization uses the allowance method to determine uncollectible pledge receivables. The allowance is based on management's analysis of specific promises made.

Contributed services – The Organization recognizes contributed services at their fair value if the services have value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided. During the years ended June 30, 2015 and June 30, 2014, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Bond issuance costs – Bond issuance costs are deferred and amortized using the effective interest method over the term of the bond liability. Unamortized bond issuance costs amounted to $1,772,563 and $280,336 at June 30, 2015 and 2014, respectively. Accumulated amortization of bond issuance costs was $33,249 and $3,047,768 at June 30, 2015 and 2014, respectively. Amortization expense for the years ended June 30, 2015 and 2014 was $323,893 and $841,006, respectively.

Property and equipment – Property and equipment are recorded at cost. Routine maintenance and repairs are charged to expense as incurred. Depreciation is calculated using the straight-line method over the following useful lives:

Buildings and building equipment	10 to 40 years
Land improvements	15 years
Personal property	3 to 10 years

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Accounting for impairment of long-lived assets – The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management determined that no impairment occurred to the long-lived assets as of June 30, 2015 and June 30, 2014.

Revenue recognition – Resident fees are recognized in the month in which they are earned and collectability is reasonably assured. Other revenue is recognized as the related services are provided and includes clinic revenue and other miscellaneous income.

Beneficial Interest in Jewish Home & Senior Living Foundation – The Organization follows the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 958, *Not-for-Profit Entities* in recording transactions in which an entity (the donor) makes a contribution by transferring assets to a not-for-profit organization or charitable trust (the recipient organization i.e. the Jewish Home & Senior Living Foundation (the "Foundation")). The Foundation accepts the assets from the donor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both to another entity (the beneficiary, i.e. the Organization) that is specified by the donor. The recipient organization (the Foundation) recognizes the fair value of those assets as a liability to the specified beneficiary (the Organization) concurrent with recognition of the assets received from the donor. The Organization recognizes an asset, Beneficial Interest in Jewish Home & Senior Living Foundation, with a corresponding change in beneficial interest in the net assets of the recipient organization.

The beneficial interest with the Foundation is placed in certain investments that are exposed to various risks, such as changes in interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to the changes in the value of investment securities, it is possible that the value of the Foundation's investments and net asset balance could fluctuate materially.

Deferred marketing costs – Costs incurred in connection with acquiring initial continuing-care contracts are deferred and amortized on a straight-line basis over the average remaining lives of the residents under the contract or the contract term, whichever is shorter. Unamortized deferred marketing costs amounted to $1,411,938 and $1,744,159 at June 30, 2015 and 2014, respectively. Accumulated amortization of deferred marketing costs was $1,661,104 and $1,328,883 at June 30, 2015 and 2014 respectively. For both years ended June 30, 2015 and 2014, amortization expense included in marketing and advertising expense was $332,221.

Continuing care contracts – The Organization has entered into continuing care contracts with the residents of its continuing care facilities. Under the provision of these contracts, residents are required to pay an entrance fee and periodic monthly fees (resident fees) for services and the use of facilities. The resident fees are subject to adjustment for changes in operating costs or other economic reasons. The Organization is obligated to provide residency, care and services to residents.

Entrance fees are one-time payments made by residents of the continuing care facilities that, in addition to monthly fees, provide for living accommodations. The nonrefundable portion of the fees is recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the life expectancy table published in the California Continuing Care Contract Statutes.

Refundable entrance fees are primarily noninterest bearing, and depending on the type of contract, can range from 0% to 90% of the total entrance fees. Refundable entrance fees are returned to the resident or the resident's estate depending on the form of the agreement either upon re-occupancy or termination of the care agreement. As of June 30, 2015 and 2014, the Organization is obligated to refund $95,866,191 and $96,045,320 in entrance fees, respectively.

Future service benefit obligation – The Organization annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (future service benefit obligation) with the corresponding charge to expense. The obligation is discounted at 5.5% for both 2015 and 2014, based on the expected long-term rate of return on government obligations. At June 30, 2015 and 2014, the future service benefit obligation was $5,697,586 and $0, respectively. The obligation increased from 2014 to 2015 as a result from higher interest expense incurred with the refinancing of variable rate debt to fixed rate debt during 2015 (Note 8) and the increased cost of operations in the assisted living units.

Fair value measurements – The Organization follows FASB ASC Topic 820, *Fair Value Measurement*. Assets and liabilities measured at fair value on a recurring basis are classified in one of the following fair value hierarchy levels, based on the lowest level input that is significant to the fair value measurement in its entirety:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not considered to be active for identical or similar assets or liabilities, quoted prices in active markets of similar assets or liabilities, and inputs other than quoted prices that are observable or can be corroborated by observable market data.

Level 3 – Inputs that are both significant to the fair value measurement and unobservable, including inputs that are not derived from market data or cannot be corroborated by observable market data.

Marketing and advertising expenses – The Organization expenses most marketing and advertising expenses as they are incurred, except for direct-response advertising which is deferred. Direct-response advertising and marketing expenses consist primarily of acquisition of initial continuing care contracts and were recorded as part of "deferred marketing costs, net" in the statements of financial position. Advertising expense for the years ended June 30, 2015 and 2014 amounted to $890,420 and $2,493,350, respectively.

Income taxes – The Organization is exempt from federal and California state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and by the Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code.

U.S. GAAP requires the Organization to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the applicable tax authority. The Organization has reviewed its tax positions for all open tax years and believes that it has appropriate support for the tax positions taken. Therefore, no liability has been recorded.

The Organization files United States federal and California tax returns. The Organization is no longer subject to federal tax examinations before 2011 or California tax examinations before 2010.

Performance indicator – The performance indicator reported in the statements of revenues, expenses and other changes in unrestricted net assets (deficit) is captioned as "change in unrestricted net deficit." Changes in unrestricted net deficit which are excluded from the performance indicator include funds released from restriction to purchase assets, and change in beneficial interest in Jewish Home & Senior Living Foundation.

Recent Accounting pronouncements – In April 2013, the FASB issued ASU No. 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate* ("ASU No. 2013-06"). The amendments in this update require a recipient NFP to recognize all services received from personnel of an affiliate that directly benefit the recipient NFP. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient NFP may elect to recognize that service received at either: (a) the cost recognized by the affiliate for the personnel providing that service or; (b) the fair value of that service. ASU No. 2013-06 was effective for the Organization in the fiscal year ending June 30, 2015. The adoption of ASU No. 2010-06 did not have a material impact on the Organization's financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40)*. The amendments in this update provide guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. In connection with preparing financial statements for each annual and interim reporting period, an entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). ASU No. 2014-15 is effective for the Organization in the fiscal year ending June 30, 2016. It is not anticipated that ASU No. 2014-15 will have an impact on the Organization's financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30)*. The amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. For all nonpublic entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. It is not anticipated that ASU No. 2015-03 will have an impact on the Organization's financial statements.

Reclassifications – Certain reclassifications were made to the 2014 amounts to conform to the 2015 presentation.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Organization has defined its financial instruments which are subject to credit risk as cash and cash equivalents, and pledge receivables. The Organization maintains its cash in bank-deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents. Pledge receivables are due from various individuals and organizations which mitigate the risks associated therein.

NOTE 4 – ASSETS LIMITED AS TO USE

Assets limited as to use consist of the following as of June 30, 2015 and 2014:

	2015	2014
Debt service fund	$ 4,450,312	$ 8,978,388
Cash and cash equivalents held in trust (a)		
Entrance fees	-	12,965,946
Capital campaign	-	72,458
Accrued interest on bond fund	-	80
Debt service fund interest account	-	76,837
	4,450,312	22,093,709
Less current portion	-	13,115,321
Non-current portion	$ 4,450,312	$ 8,978,388

(a) As of June 30, 2014 cash and cash equivalents held in trust represents the remaining balance of the Organization's bond proceeds, entrance fees, and capital campaign contributions collected that are restricted by the bond agreement and the restated letter of credit agreement to be used to service the debt and to fund deficits until breakeven. As of June 30, 2015 these restrictions have been eliminated as a result of the debt refinancing that occurred in November 2014.

NOTE 5 – NOTES RECEIVABLE

During the year ended June 30, 2014, the Organization entered into continuing care contracts with 41 individuals of which a portion of the entrance fees were received upon signing of the contracts and notes receivable were issued for the remaining balances due. The notes are noninterest bearing and are due at various dates within a six month to twelve month period from the date of issuance. The note receivables are carried at the unpaid principal balances, less an allowance for losses. Prior to accepting deposits from prospective residents, the Organization does an extensive credit check and verifies the applicant's assets. The balance at June 30, 2015 and 2014 was $0 and $2,020,066, respectively.

NOTE 6 – PLEDGE RECEIVABLES

Pledge receivables consist of the following as of June 30:

	2015	2014
Campaign pledge receivables	$ 252,339	$ 616,147
Less allowance for doubtful accounts	251,250	110,000
	1,089	506,147
Less current portion	1,089	371,215
	-	134,932
Less discount to net present value	-	7,004
Noncurrent portion	$ -	$ 127,928

Pledges are scheduled to be collected as follows as of June 30:

	2015	2014
Due in less than one year	$ 1,089	$ 371,215
Due one year to five years	-	134,932
Total	$ 1,089	$ 506,147

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	2015	2014
Buildings and building equipment	$ 127,328,942	$ 127,306,950
Land improvements	718,244	699,524
Furniture and equipment	6,599,271	6,409,200
Automobiles	277,389	200,412
Artwork	29,010	29,010
Total assets subject to depreciation	134,952,856	134,645,096
Less accumulated depreciation	(24,451,927)	(20,311,986)
Depreciable assets	110,500,929	114,333,110
Land	13,118,538	13,118,538
Construction in progress	708,678	658,015
	$ 124,328,145	$ 128,109,663

Building costs include $1,874,663 of capitalized interest The capitalized interest represents the excess of interest expense over interest income on bond proceeds from the date of the issuance of the bonds through the end of the construction period.

Depreciation expense for the years ended June 30, 2015 and 2014 was $4,139,941 and $4,050,564, respectively.

NOTE 8 – BONDS PAYABLE

The outstanding bonds payable at June 30, 2015 represents tax exempt, fixed rate revenue term bonds (899 Charleston Project), Series 2014A ("2014 Bonds") issued on November 20, 2014 by the California Statewide Communities Development Authority (the "Authority") in the amount of $71,345,000, which will mature on November 1, 2049. The 2014 Bonds are a limited obligation of the California Statewide Communities Development Authority, which were issued pursuant to an Indenture of Trust between the Authority and the Bond Trustee. The proceeds from the 2014 Bonds were loaned to the Organization under a loan agreement between the Authority and the Organization. The Organization used the proceeds from the 2014 Bonds to (1) refund the then existing bonds payable (the 2007 Bonds, described below), (2) to repay all of the term loans outstanding under the Letter of Credit, to repay a portion of the outstanding loan payable to the Jewish Home & Senior Living Foundation and all of the loan payable to the Jewish Home of San Francisco (see Note 8 for further description of all term loans), and (3) pay the bond issuance cost and set aside required reserve funds. The 2014 Bonds are secured by a funds held by the Bond Trustee and a Deed of Trust secured by the land, buildings, revenue from resident payments, including entrance fees, and other assets of the Organization.

The 2014 Bonds, which were issued with six term dates maturing on November 1, 2019, 2024, 2029, 2034, 2044 and 2049, have face value interest rates ranging from 5.000% to 5.375%, but were priced with yields ranging from 2.950% to 5.350%. The average interest cost on the 2014 Bonds is approximately 5.250%. The Organization makes semiannual payments to the Trustee of interest (in May) and principal sinking fund and interest (in November). The principal sinking fund payments are sufficient to meet the term bond maturities when due. Annual debt service payments vary slightly, with the maximum annual debt service being $4,449,831. Under the Master Indenture, the Organization covenants that it will, among other requirements, maintain a debt service coverage ratio of 1.10 for the year ended June 30, 2015, and 1.25 for each fiscal year thereafter. Furthermore, the Organization covenants that it will maintain days cash on hand of 180 days on each June 30 and December 31 while the 2014 Bonds are outstanding. Management believes the Organization was in compliance with these covenants as of the June 30, 2015 measurement date.

The following provides the current and future principal obligations for the 2014 Bonds:

Year Ending June 30,		
2016	$	695,000
2017		770,000
2018		805,000
2019		850,000
2020		890,000
Thereafter		68,242,926
	$	72,252,926

Prior the November 20, 2014, the Organization's bonds payable represent tax-exempt variable rate revenue bonds (899 Charleston Project) Series 2007 issued by ABAG Finance Authority for Nonprofit Corporations ("2007 Bonds") in the amount of $165,805,000 which were to mature on June 1, 2037. The bonds were special obligations of ABAG, payable by the Organization. The use of the proceeds was limited to the Organization's capital project.

In connection with the 2007 Bonds, the Organization had an irrevocable transferable direct pay letter of credit with a bank for approximately $62 million. The terms of the amended and restated letter of credit and reimbursement agreement, set forth a formula for how the bonds and the funded loan under the participation agreement (Note 8) were to be redeemed through the earlier of the Organization reaching stable occupancy, as defined in the agreement, or June 30, 2016.

The proceeds from the 2014 Bonds described above were used to refund the 2007 Bonds, and repay all term loans and other obligations under the letter of credit. The Organization has no further obligations under either the 2007 Bonds or the letter of credit thereafter.

NOTE 9 – LOANS PAYABLE

Loans payable consist of the following as of June 30, 2015 and 2014:

		2015		2014
Loans from the Foundation (a)	$	6,000,000	$	7,000,000
Deferred charges from Hebrew Home of San Francisco (b)		-		409,781
		6,000,000		7,409,781
Less discounts on loans		1,619,995		169,563
Total		4,380,005		7,240,218
Term loan under letter of credit agreement (c)		-		15,396,227
		4,380,005		22,636,445
Less current portion		900,000		1,891,000
Noncurrent portion	$	3,480,005	$	20,745,445

(a) During the years ended June 30, 2011 and 2010, the Foundation provided the Organization with loans totaling $7,000,000 to fund the Organization's project deficiencies and operational needs as guarantor under the letter of credit agreement. With the issuance of the 2014 Bonds (Note 8), $1,000,000 of these loans was repaid to the Foundation. Under the terms of the 2014 Bonds Master Indenture and a Debt Modification Agreement between the Organization and the Foundation, the remaining $6,000,000 outstanding principal amount of the loan due as of June 30, 2015, may be repaid by the Organization in twenty (20) semiannual installments if the Organization meets certain financial requirements and tests. The Organization does not anticipate that it will be able to meet these tests during the fiscal year ending June 30, 2016, and thus does not expect to make any payments on this loan during that time. The loan provides for zero (0%) interest. Based upon the assumption that the first payment made by the Organization will be in August 2018, and that such semiannual payment will continue for an additional 19 payments until the loan is fully repaid, a discount is reflected in these financial statements in the amount of $1,619,995 at June 30, 2015.

(b) The Home provided the Organization various services during the years ended June 30, 2011 and 2010 (Note 13). Fees charged for such services were converted to a loan to the Organization. The loan was noninterest-bearing. With the issuance of the 2014 Bonds (Note 8), this loan was fully repaid.

(c) On March 31, 2011, the bank group signed the Second Amended and Restated Participation Agreement (the "Participation Agreement"). Under this Participation Agreement, the lead lender in the lending group redeemed $26,500,000 of the bonds in May 2011 in exchange for a term loan from one of the participating banks. The holder of the term loan shares in the same rights and obligations under the letter of credit ("LOC") agreement and will receive their pro rata share of the LOC and remarketing fees and the redemption payments. This term loan was fully repaid with the issuance of the 2014 Bonds on November 20, 2014. The Organization has no further obligations under this agreement subsequent to that date.

NOTE 10 – FAIR VALUE MEASUREMENTS

The following fair value hierarchy table presents information about the Organization's financial instruments measured at fair value on a recurring basis as of June 30:

Description	Balance as of June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un-observable Inputs (Level 3)
Assets				
Assets limited as to use	$ 4,450,312	$ 4,450,312	$ -	$ -
Beneficial interest in Jewish Home & Senior Living Foundation	5,951,044	-	-	5,951,044
	$ 10,401,356	$ 4,450,312	$ -	$ 5,951,044

Description	Balance as of June 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un-observable Inputs (Level 3)
Assets				
Assets limited as to use	$ 22,093,709	$ 22,093,709	$ -	$ -
Beneficial interest in Jewish Home & Senior Living Foundation	5,574,736	-	-	5,574,736
	$ 27,668,445	$ 22,093,709	$ -	$ 5,574,736

The following table summarizes the changes in the Organization's Level 3 financial instruments:

		Beneficial Interest in Jewish Home & Senior Living Foundation
Balance, July 1, 2013	$	4,626,290
Change in value		948,446
Change in reserve		-
Balance, June 30, 2014		5,574,736
Change in value		376,308
Change in reserve		-
Balance, June 30, 2015	$	5,951,044

The valuation methodologies used to determine the fair values of assets and liabilities under the "exit price" for fair value measurement reflect market-participant objectives and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The Organization determines the fair values of certain financial assets and financial liabilities based on quoted market prices, where available. The Organization also determines fair value based on future cash flows discounted at the appropriate current market rate. Fair values reflect adjustments for counterparty credit quality, the Organization's credit standing, liquidity and, where appropriate, risk margins on unobservable parameters.

The Organization's management, under the supervision of its Board of Trustees, determines the fair value measurement policies and procedures. These policies and procedures are reassessed annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third party information. In determining the reasonableness of the methodology, management evaluates a variety of factors including a review of existing agreements, economic conditions, and industry and market developments. Certain unobservable inputs are assessed through review of contract terms (duration and payout data) while others are substantiated utilizing available market data (discount rates and mortality table). The following are the techniques used to determine fair values for the financial instruments listed in the above tables. The following are the techniques used to determine fair values for the financial instruments listed in the above tables.

- Assets limited as to use consist of cash equivalents and private debt obligations and are valued at amortized cost, which approximate fair value.

- Beneficial interest in Jewish Home & Senior Living Foundation – the fair value is determined based on the Organization's ownership interest in investments measured at quoted market prices.

Fair values of the Organization's financial instruments as of June 30, 2015 and 2014 that are not measured at fair value on a recurring basis are as follows:

- Cash and cash equivalents, accounts receivable, notes receivable, prepaid expenses and other current assets, other receivables, accounts payable, accrued liabilities, deferred monthly fees and other liabilities, refundable deposits and refundable entrance fees — the carrying amount approximates fair value due to their short-term nature.

- Pledge receivables -the carrying value approximates fair value since they are carried at the expected amounts discounted to present value. Pledge receivables are recorded net of an allowance for losses.

- Loans payable – the carrying value approximates fair value as they are carried at the amounts to be paid discounted to present value.

- Future service benefit obligation – the carrying value approximates fair value as they are carried at the amounts to be paid discounted to present value.

The following table presents information about the Organization's bonds payable measured at fair value on a nonrecurring basis as of June 30:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Bonds payable	$ (72,252,926)	$ (71,734,135)	$ (61,130,000)	$ (61,130,000)

NOTE 11 – ENDOWMENT FUNDS

The Organization follows the FASB ASC 958, *Not-for-Profit Entities*, for reporting endowment funds. The standard provides guidance on the net asset classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The State of California adopted a version of the UPMIFA, known as the State Prudent Management of Institutional Funds Act ("SPMIFA").

SPMIFA moves away from the concept of corpus with its "historical dollar value" in an endowment. Charities are encouraged to develop spending policies that are responsive to short term fluctuations in the value of the fund, preserve the value of the fund for future use, and honor the charitable purpose of the fund. The Organization will continue to balance the endurance of its funds and the needs of the community in its granting policies and practices.

The Organization's endowment assets are generally donor-restricted endowment funds established to generate support for Jewish residents of the Project or accepted applicants who cannot afford a portion of either the entry fee or the continuing monthly costs. As required by FASB ASC 958, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the organization and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the organization

(7) The investment policies of the organization

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to provide support for the various programs of the Organization while seeking to maintain the original gift value of the endowment asset. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to realize a competitive rate of return comparable to index benchmarks.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a diversified asset investment strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation of investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution the income, both current and accrued, from the endowment funds to anyone who needs financial assistance for any aspect of their stay at the facilities of the Organization. The Organization is expecting to provide annual distributions of 5% of the market value of the endowment assets as determined quarterly and averaged over the preceding 36 months. The investment managers are required to invest funds so as to ensure that required distributions of income can be met. In order to avoid untimely sales of securities, the Board of Trustees will forward to the managers estimates of needed payouts well in advance.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. No deficiency of this nature existed as of June 30, 2015 and 2014.

Endowment Net Asset Composition by Type of Fund as of June 30:

	2015			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 1,579,564	$ 4,495,480	$ 6,075,044

	2014			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 1,453,255	$ 4,120,482	$ 5,573,737

Endowment Net Asset Composition by Type of Fund as of June 30:

	2015			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of period	$ -	$ 1,453,255	$ 4,120,482	$ 5,573,737
Contributions	-	-	374,998	374,998
Investment return				
Change in beneficial interest	-	126,309	-	126,309
Endowment net assets, end of year	$ -	$ 1,579,564	$ 4,495,480	$ 6,075,044

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of period	$ -	$ 779,809	$ 3,845,482	$ 4,625,291
Contributions	-	-	275,000	275,000
Investment return				
Change in beneficial interest	-	673,446	-	673,446
Endowment net assets, end of year	$ -	$ 1,453,255	$ 4,120,482	$ 5,573,737

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted as follows as of June 30:

	2015	2014
Earnings on endowment net assets	$ 1,579,564	$ 1,453,255
Moldaw Library Fund/General Funds	2,386	3,938
To be expended in future periods	-	169,563
Capital campaign fund	197,629	722,179
	$ 1,779,579	$ 2,348,935

Net assets were released from restrictions during 2015 and 2014 for the following purposes:

	2015	2014
Expended in current period	$ 169,563	$ 508,680
Satisfaction of purpose	2,307	1,302
	$ 171,870	$ 509,982

NOTE 13 – FINANCIALLY INTER-RELATED ORGANIZATIONS

Taube-Koret Campus for Jewish Life

The Taube-Koret Campus for Jewish Life ("TKCJL") is a collaborative initiative founded and developed by the Home, the Albert L. Schultz Jewish Community Center of Palo Alto, the Jewish Community Federation, and local community leaders. The purpose of TKCJL is to strengthen and enhance Jewish community life in the South Peninsula by fundraising and supporting the development of a multi-purpose, intergenerational Jewish campus.

On August 16, 2007, TKCJL, the LLC, the Organization, and Jewish Community Center (the "Parties") entered into a Memorandum of Understanding to delineate and memorialize the respective rights, roles and responsibilities of the Parties related to the transfer of assets held by TKCJL for the benefit of the parties' respective projects, including pledge collection, transfer and fundraising on the capital campaign which was targeted to raise approximately $140 million.

In addition, the parties agreed that TKCJL will continue to act solely as a fundraising and collection agent following the closing of the bond financing. As of June 30, 2015 and June 30, 2014, the Organization has received approximately $24 million and $24 million, respectively, in pledges and contributions through TKCJL.

TKCJL has a separate board of trustees over which 899 Charleston does not exercise majority control and, therefore, the operations of TKCJL are not included in the accompanying financial statements.

The Foundation

The Foundation has provided the Organization with noninterest bearing loans totaling $7 million, to fund the Organization's project deficiencies and operational needs as guarantor under the letter of credit agreement. The Foundation has filled their obligation under the support and guarantee agreement. During the year ended June 30, 2015, $1 million of this loan was repaid, leaving a loan balance of $6 million outstanding.

The Foundation has a separate board of trustees over which the Organization does not exercise majority control and, therefore, the operations of the Foundation are not included in the accompanying financial statements.

Hebrew Home for the Aged Disabled (the "Home")

The Home has a separate board of trustees over which the Organization does not exercise majority control and, therefore, the operations of the Home are not included in the accompanying financial statements.

Jewish Senior Living Group

Jewish Senior Living Group ("JSLG") was formed to provide supporting activities for the benefit of nonprofit organizations and to provide or promote the provision of Jewish living services, facilities, and/or aging services in Northern California. It currently is a supporting organization to the Organization, the Foundation, and the Home.

The Organization and JSLG signed a Memorandum on April 1, 2011 whereby JSLG will provide services related to finance and accounting, information technology, human resources and organizational advancement at a set monthly fee plus any additional services, costs, or expenses pre-approved by the Organization. This agreement has been amended each year to revise the monthly fees paid to JSLG based on inflation and changes to levels of service provided. During the years ended June 30, 2015 and 2014, the Organization paid $362,700 and $404,525, respectively, to JSLG for such services. As of June 30, 2015 and 2014, the Organization owed $47,878 and $58,718 respectively, to JSLG for these services, the balance of which is included in accounts payable.

JSLG has a separate board of trustees over which the Organization does not exercise majority control and, therefore, the operations of JSLG are not included in the accompanying financial statements.

NOTE 14 – RETIREMENT PLAN

The Organization sponsors a 403(b) defined contribution plan for its employees. The plan covers substantially all employees meeting certain eligibility requirements. The total expenses under the plan were $32,352 and $26,990 for the year ended June 30, 2015 and 2014, respectively.

NOTE 15 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for the year ended June 30 were as follows:

	2015	2014
Program activities	$ 14,901,351	$ 15,992,080
Management and general	2,150,293	1,684,889
Fundraising	-	15,413
	$ 17,051,644	$ 17,692,382

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Litigation:

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Regulatory Matters:

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to the matters such as licensure, accreditation, and government healthcare program participation requirements.

NOTE 17 – SUBSEQUENT EVENTS

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

The Organization has evaluated subsequent events through October 27, 2015, which is the date the financial statements are issued.

Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules with
Supplementary Schedules

899 Charleston
(dba Moldaw Residences)

June 30, 2015

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

CONTENTS

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
899 Charleston (dba Moldaw Residences)

We have audited the accompanying financial statements of 899 Charleston dba Moldaw Residences (the "Organization"), which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended June 30, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of 899 Charleston dba Moldaw Residences as of and for the year ended June 30, 2015, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by the Organization on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying Attachment to Form 5-2: Total Interest Paid During Fiscal Year; Attachment to Form 5-4: Deductions from Operating Expenses; Attachment to Form 5-5: Schedule of Qualifying Assets – Debt Service Reserve and Operating Reserve; and Attachment to Form 5-5: Required Disclosure under Section 1790(a)(2); presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of 899 Charleston dba Moldaw Residences and the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

San Francisco, California
October 29, 2015

CONTINUING CARE LIQUID RESERVE SCHEDULES

FORM 5-1
LONG-TERM DEBT INCURRED IN 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	08/01/07				$0
2	08/01/07				$0
3					
4					
5					
6					
7					
8					
	TOTAL:	$ -	$ -	$ -	$ -

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

NOTE: For column (b), do not include voluntary payments made to pay down principal.
NOTE: For column (c), amount does not include amortized discount on subordinated note.
NOTE: Both debt obligations in line 1 and 2 of this schedule were fully paid off in their entirety during the fiscal year ended June 30, 2015, and replaced with the new debt obligation listed on Form 5-2. No debt service payments remain on both debt obligations in line 1 and 2 of this schedule.

PROVIDER: 899 Charleston dba Moldaw Residences

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	11/17/14	$1,660,684	$1,660,684	2	$3,321,368
2	11/17/14	$0	$0	0	$0
3					
4					
5					
6					
7					
8					
	TOTAL:	$ 1,660,684	$ 1,660,684	$ 1	$ 3,321,368

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

NOTE: For column (b), do not include voluntary payments made to pay down principal.
NOTE: The debt obligation listed on line 2 of this schedule is a zero interest loan from the Jewish Home and Senior Living Foundation. Principal repayments are contingent on 899 Charleston achieving certain financial milestones. No principal payments were made in the current year. The first payment is not expected to occur until August 2018.

PROVIDER: 899 Charleston dba Moldaw Residences

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$ -
2	Total from Form 5-2 bottom of Column (e)	$ 3,321,368
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:**	$ 3,321,368

PROVIDER: 899 Charleston dba Moldaw Residences

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$ 17,051,644
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$ 1,692,486	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$ 305,281	
	c.	Depreciation	$ 4,139,548	
	d.	Amortization	$ 323,893	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$ 1,307,995	
	f.	Extraordinary expenses approved by the Department	$ -	
3		Total Deductions		$ 7,769,203
4		Net Operating Expenses		$ 9,282,441
5		Divide Line 4 by 365 and enter the result.		$ 25,431
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve		$ 1,907,325

PROVIDER: 899 Charleston dba Moldaw Residences
COMMUNITY: Moldaw Residences

ANNUAL RESERVE CERTIFICATION

Provider Name: 899 Charleston dba Moldaw Residences
Fiscal Year Ended: June 30, 2015

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 6/30/2015 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	$ 3,321,368
[2]	Operating Expense Reserve Amount	$ 1,907,325
[3]	**Total Liquid Reserve Amount:**	$ 5,228,693

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

		(market value at end of quarter)		
	Qualifying Asset Description	**Debt Service Reserve**		**Operating Reserve**
[4]	Cash and Cash Equivalents	$ 3,247,963		$ 7,485,674
[5]	Investment Securities	$ -		$ -
[6]	Equity Securities	$ -		$ -
[7]	Unused/Available Lines of Credit	$ -		$ -
[8]	Unused/Available Letters of Credit	$ -		$ -
[9]	Debt Service Reserve	$ 4,450,312		(not applicable)
[10]	Other: Accrued interest on the reserve fund (describe qualifying asset)	$ 8		$ -
	Listed for Reserve Obligation: [11]	$ 7,698,283	[12]	$ 7,485,674
	Reserve Obligation Amount: [13]	$ 3,321,368	[14]	$ 1,907,325
	Surplus/(Deficiency): [15]	$ 4,376,915	[16]	$ 5,578,349

Signature:

(Authorized Representative)

Date: October 29, 2015

Victor Meinke, CFO
(Title)

SUPPLEMENTARY SCHEDULES

Reconciliation of total interest paid during fiscal year per Form 5-2, line 1 (b) to amount reported in the statement of cash flows:

Interest paid per the statement of cash flows	$	1,692,486
Less: Interest paid on debt obligations that were fully paid off in their entirety in Form 5-1		(12,573)
Less: Other bond costs and interest expenses		(19,229)
Total Interest Paid During Fiscal Year , Form 5-2, Line 1 (b)	$	1,660,684

Line 2b: Reconciliation of credit enhancement premiums paid during the fiscal year per form 5-4, line 2b to amount reported in the statement of cash flows:

Cash paid for for line of credit and remarketing fees	$	320,412
Less: Remarketing and other fees paid not included in Form 5-4, line 2b		(15,131)
Credit enhancement premiums paid for long-term debt per form 5-4, line 2b	$	305,281

Line 2e: Revenues received during the fiscal year for services to persons who did not have a continuing care contract

Cash received from services and other income per statement of cash flows	$	575,641
Less: Accounts receivable related to other income as of 6/30/14		(2,166)
Plus: Accounts receivable related to other income as of 6/30/15		(9)
Other revenues for services to residents (including accrued income)		(539,841)
Total revenues for services to non-residents	$	33,625
(A) Revenues from residents without continuing care contract		1,274,370
Total revenues received during the fiscal year for services to persons who did not have a continuing care contract, Form 5-4, line 2e	$	1,307,995
Cash received from resident fees per the statement of cash flows	$	10,126,920
Less: Cash received from resident fees with continuing care contracts		8,875,496
Cash received from resident fees without continuing care contracts		1,251,424
Plus: Accounts receivable/Less: Prepaid related to resident fees without continuing care contracts as of 6/30/15		11,673
Less: Accounts receivable/Plus: Prepaid related to resident fees without continuing care contracts as of 6/30/14		11,273
Revenues from residents without continuing care contract	$	1,274,370

		Amount	
	Qualifying Asset Description	**DEBT RESERVE**	**OPERATING RESERVE**
	Operating checking accounts	$ -	$ 1,669,675
	Capital campaign account	-	209,740
	Depositor account	4,612,678	-
	Turnover entrance fee account	-	2,143,800
	Wilmington Trust	-	5,603,839
	Entrance fee account	-	2,420
		4,612,678	9,629,474
	Less: Amount related to entrance fee refund payable to residents per the statement of financial position		(2,143,800)
	Less: Amount related to refundable deposits per the statement of financial position	(1,364,715)	-
Line 4	Total cash and cash equivalents	3,247,963	7,485,674
Line 9	Debt service reserve in trust	4,450,312	-
Line 10	Accrued interest on the reserve fund and depositor escrow account	8	-
Line 11	Total Amount of Qualifying Assets listed for reserve obligation	$ 7,698,283	$ 7,485,674
	TOTAL AMOUNT OF QUALIFYING ASSETS FOR DEBT RESERVE AND OPERATING RESERVE	$ 15,183,957	
	Cash and cash equivalents per the statement of financial position	$ 14,242,160	
	Assets limited as to use, current per the statement of financial position	-	
	Assets limited as to use, noncurrent per the statement of financial position	4,450,312	
	Total amount of qualifying assets for debt reserve and operating reserve	18,692,472	
	Less: Amount related to entrance fee refund payable to residents per the statement of financial position	(2,143,800)	
	Less: Amount related to refundable deposits per the statement of financial position	(1,364,715)	
	Total amount of qualifying assets for debt reserve and operating reserve	$ 15,183,957	

Escrow entrance fees - This amount represents entrance fees collected beginning September 1, 2010 that are to be used to make principal payments on the tax exempt bonds pursuant to loan agreements.	$ 12,360,317
Debt service reserve fund - This amount represents the required reserved fund for the letter of credit. The moneys are reserve only to be used if other funds are insufficient to satisfy the debt service requirements.	4,450,312
Accrued interest on bond fund - This amount represents the June accrued interest earned from the debt service fund that is booked to July statement.	8
New depositor account - This account is used to receive the 10% deposit amount when a resident reserves a unit.	2,420
	$ 16,813,057
Less: Amount related to entrance fee refund payable to residents and refundable deposits	(3,508,515)
	$ 13,304,542
Per capita cost	$ 57,347

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)	**3,158 to $6,522**	**$7,030 to $8,436**	**N/A**
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**4.0%**	**0.0%**	**N/A**

☐ 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:

(If more than 1 increase was implemented, indicate the dates or each increase.) 1/1/2015

[4] Check each of the appropriate boxes:

[X] Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

[X] All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

[X] 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.

[X] 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.

[X] The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

[X] 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: **899 Charleston, DBA Moldaw Family Residences FYE 6/30/15**

COMMUNITY: **Moldaw Family Residences**

899 Charleston DBA
Moldaw Family Residences
Support Schedule for Form 7-1, Support for Increase in Monthly Fees
FYE June 30, 2015

(5) Attach a page to provide an explanation for the increase in monthly service fees including the amount of increase.

The price increase in monthly service fees was based upon the budget model that was reviewed by the Resident Finance, Resident Council and the Board of Directors.

In determining the annual resident fee increase, the following factors were considered:

- Part of the budget process included census projection
- Expenses are reviewed line item by line item to support the projected census.
- Economic factors are reviewed to gauge inflation.
- Look into CCRC Rent increases using national benchmark data
- Comparison of rate increases of other local and PRS managed communities

The amount of the final rate adjustment was spread based on unit type and on per capita basis.

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 10/26/15

FACILITY NAME: MOLDAW RESIDENCES

ADDRESS: 899 EAST CHARLESTON ROAD, PALO ALTO ZIP CODE: 94303 PHONE: 650-433-3600

PROVIDER NAME: ____ FACILITY OPERATOR: 899 CHARLESTON

RELATED FACILITIES: ____ RELIGIOUS AFFILIATION: JEWISH

YEAR OPENED: 2009 # OF ACRES: ____ ☐ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ____ MILES TO SHOPPING CTR: ____ MILES TO HOSPITAL: ____

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:	0	ASSISTED LIVING:	12
APARTMENTS – 1 BDRM:	74	SKILLED NURSING:	0
APARTMENTS – 2 BDRM:	84	SPECIAL CARE:	11
COTTAGES/HOUSES:	12 (3 BDRM APT)	DESCRIPTION: >	MEMORY SUPPORT
RLU OCCUPANCY (%) AT YEAR END:	95%	>	

* *

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: ____

RANGE OF ENTRANCE FEES: $ 277,243 (BMR) - $ 1,206,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 10 DAYS STAY AT SNF PER YEAR AND DISCOUNT IN ASSISTED LIVING

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: ____ OTHER: ____

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > ____

> ____

* *

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	☐	☑	HOUSEKEEPING (2 TIMES/MONTH)	☑	☐
BILLIARD ROOM	☐	☐	MEALS (1 IL 3 MS/DAY)	☑	☐
BOWLING GREEN	☐	☐	SPECIAL DIETS AVAILABLE	☑	☐
CARD ROOMS	☑	☐			
CHAPEL	☐	☐	24-HOUR EMERGENCY RESPONSE	☑	☐
COFFEE SHOP	☐	☐	ACTIVITIES PROGRAM	☑	☐
CRAFT ROOMS	☑	☐	ALL UTILITIES EXCEPT PHONE	☑	☐
EXERCISE ROOM	☑	☐	APARTMENT MAINTENANCE	☑	☐
GOLF COURSE ACCESS	☐	☐	CABLE TV	☑	☐
LIBRARY	☑	☐	LINENS FURNISHED	☐	☐
PUTTING GREEN	☐	☐	LINENS LAUNDERED	☑	☐
SHUFFLEBOARD	☐	☐	MEDICATION MANAGEMENT	☑	☐
SPA	☑	☐	NURSING/WELLNESS CLINIC	☑	☐
SWIMMING POOL-INDOOR	☑	☐	PERSONAL HOME CARE	☑	☐
SWIMMING POOL-OUTDOOR	☑	☐	TRANSPORTATION-PERSONAL	☐	☐
TENNIS COURT	☐	☐	TRANSPORTATION-PREARRANGED	☑	☐
WORKSHOP	☐	☐	OTHER ____	☐	☐
OTHER CULTURAL CENTER	☑	☐			

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: MOLDAW RESIDENCES

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
NONE		

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)
NONE		

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)
NONE		

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)
NONE		

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

PROVIDER NAME: MOLDAW RESIDENCES

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$5,808,744	$6,890,124	$9,083,842	$10,708,166
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	$8,272,875	$9,487,348	$11,329,180	$9,747,962
NET INCOME FROM OPERATIONS	-$2,474,131	-$2,597,224	-$2,245,338	$960,204
LESS INTEREST EXPENSE	$737,303	$716,078	$589,569	$2,651,901
PLUS CONTRIBUTIONS	$483,384	$206,822	$322,171	$380,595
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	-$1,854,537	-$1,568,372	-$1,444,247	$512,540
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	-$4,612,587	-$4,694,852	-$3,689,585	-$1,823,642
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$19,827,411	$16,906,652	$22,175,898	$4,451,881

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CA. Statewide Communities Development Authority	72,252,926	5.25%	11/17/2014	11/01/2049	35 YEARS
(US BANK TRUSTEE)					

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2013	2014	2015
DEBT TO ASSET RATIO		.48	.46	.49
OPERATING RATIO		1.33	1.24	1.15
DEBT SERVICE COVERAGE RATIO		1.46	3.03	1.26
DAYS CASH ON HAND RATIO		188.06	54.6	423.79

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2012	%	2013	%	2014	%	2015
STUDIO							
ONE BEDROOM	$2,902	0%	$3,213	4%	$3,341	4%	$3,579
TWO BEDROOM	$4,222	0%	$4,392	4%	$4,567	4%	$4,750
COTTAGE/HOUSE	$5,922	0%	$6,271	4%	$6,522	4%	$6,783
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

>

>

PROVIDER NAME: MOLDAW RESIDENCES

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.

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CONTINUING CARE
CONTRACTS BRANCH

KEY INDICATORS REPORT

899 Charleston DBA: Moldaw Residences

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

		Budgeted	Forecast				
	2015	2016	2017	2018	2019	2020	Preferred Trend Indicator
OPERATIONAL STATISTICS							
1. Average Annual Occupancy by Site (%)	94.82%	95.08%	95.34%	94.82%	94.82%	94.82%	N/A
MARGIN (PROFITABILITY) INDICATORS							
2. Net Operating Margin (%)	12.08%	12.92%	14.55%	14.44%	14.18%	15.47%	↑
3. Net Operating Margin - Adjusted (%)	37.90%	36.65%	39.29%	39.03%	39.27%	40.18%	↑
LIQUIDITY INDICATORS							
4. Unrestricted Cash and Investments ($000)	$14,242	$15,340	$16,596	$17,927	$18,614	$19,496	↑
5. Days Cash on Hand (Unrestricted)	423.79	414.96	454.25	481.92	490.46	506.15	↑
CAPITAL STRUCTURE INDICATORS							
6. Deferred Revenue from Entrance Fees ($000)	$2,608	$2,410	$1,906	$1,864	$1,830	$1,796	N/A
7. Net Annual E/F proceeds ($000)	$4,452	$4,295	$4,614	$4,694	$4,945	$5,143	N/A
8. Unrestricted Net Assets ($000)	-$46,127	-$50,221	-$55,065	-$59,933	-$64,817	-$69,701	N/A
9. Annual Capital Asset Expenditure ($000)	$358	$363	$400	$500	$515	$536	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	1.31	0.94	0.78	0.67	0.66	0.59	↑
11. Annual Debt Service Coverage (x)	2.99	1.94	1.82	1.61	1.64	1.61	↑
12. Annual Debt Service/Revenue (%)	24.77%	37.30%	39.12%	43.18%	42.00%	40.36%	↓
13. Average Annual Effective Interest Rate (%)	3.46%	4.62%	4.87%	4.83%	4.79%	4.75%	↓
14. Unrestricted Cash & Investments/LT Debt (%)	18.98%	20.63%	22.56%	24.43%	25.46%	26.77%	↑
15. Average Age of Facility (years)	5.91	6.90	7.85	8.86	9.89	11.70	↓

Chief Financial Officer Signature

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Attachment to Key Indicator Report

OPERATIONAL STATISTICS	
1. Average Annual Occupancy by Site (%)	Stabilized Occupancy attained in December 2014
MARGIN (PROFITABILITY) INDICATORS	
2. Net Operating Margin (%)	Margins increasing gradually as projected opportunities for increased operating efficiencies are realized, while maintaining service and quality levels of service to our residents
3. Net Operating Margin - Adjusted (%)	Includes net proceeds from Entrance Fees which include only fees received from re-occupancy net of refunds, not initial entrance fees.
LIQUIDITY INDICATORS	
4. Unrestricted Cash and Investments ($000)	Cash generated by operations and net turnover entrance fees expected to increase, as expenses are controlled through increased operating efficiencies
5. Days Cash on Hand (Unrestricted)	Cash generated by operations and net turnover entrance fees expected to increase, as expenses are controlled through increased operating efficiencies
CAPITAL STRUCTURE INDICATORS	
6. Deferred Revenue from Entrance Fees ($000)	
7. Net Annual E/F proceeds ($000)	Includes only entrance fees received from re-occupancy, not initial entrance fees.
8. Unrestricted Net Assets ($000)	
9. Annual Capital Asset Expenditure ($000)	
10. Annual Debt Service Coverage - Revenue Basis (x)	Debt was refinanced in November 2014. FY15 debt service ratios are favorable to those of subsequent years due to only 7.5 months of interest on the new debt being paid in the current year. No principal payment is due until Nov 2015
11. Annual Debt Service Coverage (x)	Debt was refinanced in November 2014. FY15 debt service ratios are favorable to those of subsequent years due to only 7.5 months of interest on the new debt being paid in the current year. No principal payment is due until Nov 2015
12. Annual Debt Service/Revenue (%)	Debt was refinanced in November 2014. FY15 debt service ratios are favorable to those of subsequent years due to only 7.5 months of interest on the new debt being paid in the current year. No principal payment is due until Nov 2015
13. Average Annual Effective Interest Rate (%)	The increased rate trend relates to the bonds being refinanced in FY15 to a fixed rate series of bonds.
14. Unrestricted Cash & Investments/LT Debt (%)	The upward trending relates to projected increases in unrestricted cash and investments coupled with principle payments that reduce debt balances
15. Average Age of Facility (years)	

KEY INDICATORS REPORT
Moldaw Residences

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

	FORMULA	2015	Budgeted 2016	Forecast 2017	2018	2019	2020	Preferred Trend Indicator
				in thousand				
OPERATIONAL STATISTICS								
1. Average Annual Occupancy by Site (%)	(total occupied units @ 1/1 + total occupied units @ 12/31)/2 / total number of units at the community	**95%**	**95%**	**95%**	**95%**	**95%**	**95%**	N/A
	BB occupancy	183.00	182.00	185.00	183.00	183.00	183.00	
	EB occupancy	183.00	185.00	183.00	183.00	183.00	183.00	
	Average occupancy	183.00	183.50	184.00	183.00	183.00	183.00	
	Total available occupancy	193.00	193.00	193.00	193.00	193.00	193.00	
MARGIN (PROFITABILITY) INDICATORS		**12.08%**	**12.92%**	**14.55%**	**14.44%**	**14.18%**	**15.47%**	
2. Net Operating Margin (%)	Resident revenue exclude EF amortization income less	10,708	11,467	11,323	11,638	11,972	12,451	↑
	less resident expenses excluding depreciation & amortization	(9,415)	(9,986)	(9,676)	(9,958)	(10,274)	(10,524)	
	= net resident operating INCOME	1,293	1,482	1,647	1,680	1,698	1,927	
	Resident revenue	10,708	11,467	11,323	11,638	11,972	12,451	
3. Net Operating Margin - Adjusted (%)	Resident revenue + Net Proceed from EF - Resident Expenses / Resident revenue + Net Proceeds from EF	**38%**	**37%**	**39%**	**39%**	**39%**	**40%**	↑
	Resident revenue	10,708	11,467	11,323	11,638	11,972	12,451	
	Net proceed from EF	4,452	4,295	4,614	4,694	4,945	5,143	
		15,160	15,762	15,937	16,332	16,917	17,594	
	Less: Resident Expenses	(9,415)	(9,986)	(9,676)	(9,958)	(10,274)	(10,524)	
		5,745	5,777	6,261	6,374	6,643	7,070	

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

	FORMULA	2015	Budgeted 2016	Forecast 2017	2018	2019	2020	Preferred Trend Indicator
LIQUIDITY INDICATORS								
4. Unrestricted Cash and Investments ($000)		14,242	15,340	16,596	17,927	18,614	19,496	↑
5. Days Cash on Hand (Unrestricted)		423.79	414.96	454.25	481.92	490.46	506.15	↑
	Unrestricted cash and investment	14,242	15,340	16,596	17,927	18,614	19,496	
	(Operating expenses - depreciation and amortization)/365	33.61	36.97	36.54	37.20	37.95	38.52	
	Operating resident expenses	9,415	9,986	9,676	9,958	10,274	10,524	
	Interest expense, and LOC and other fees	2,851	3,507	3,659	3,620	3,579	3,535	
		12,266	13,493	13,335	13,578	13,853	14,059	
CAPITAL STRUCTURE INDICATORS								
6. Deferred Revenue from Entrance Fees ($000)		2,608	2,410	1,906	1,864	1,830	1,796	N/A
7. Net Annual E/F proceeds ($000)		4,452	4,295	4,614	4,694	4,945	5,143	N/A
8. Unrestricted Net Assets ($000)		(46,127)	(50,221)	(55,065)	(59,933)	(64,817)	(69,701)	N/A
9. Annual Capital Asset Expenditure ($000)		358	363	400	500	515	536	N/A
10. Annual Debt Service Coverage Revenue Basis (x)		1.31	0.94	0.78	0.67	0.66	0.59	
	Total excess revenue over expenses + interest + depreciation + amortization expense - amortization of deferred revenue	3,483	4,012	3,453	3,382	3,311	2,954	
	Annual debt service (principal & interest paid)	2,652	4,278	4,429	5,025	5,029	5,025	
	Total excess revenue over expenses	(7,718)	(4,093)	(4,844)	(4,868)	(4,884)	(4,884)	
	Add interest expense	2,652	3,507	3,659	3,620	3,579	3,535	
	Add depreciation/amortization expense	4,140	4,148	4,177	4,170	4,156	3,843	
	Add Non-Cash Change in FSO Liability	5,698	-	-	-	-	-	
	Less - Non Cash Discount on Loan	(1,620)	128	128	128	128	128	
	Add amortization expense	332	322	332	332	332	332	
	Total	3,483	4,012	3,453	3,382	3,311	2,954	

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

	FORMULA	2015	Budgeted 2016	Forecast 2017	2018	2019	2020	Preferred Trend Indicator
11. Annual Debt Service Coverage (x)		2.99	1.94	1.82	1.61	1.64	1.61	
	Total excess revenue over expenses + interest + depreciation + amortization expense - amortization of deferred revenue + EF proceed	7,935	8,307	8,067	8,076	8,256	8,097	↑
	Annual debt service	2,652	4,278	4,429	5,025	5,029	5,025	
12. Annual Debt Service/Revenue (%)		25%	37%	39%	43%	42%	40%	↓
	Annual debt service (principal & interest exclude capitalized int.)	2,652	4,278	4,429	5,025	5,029	5,025	
	Total operating revenue + Net assets released from restriction for operation + Net non-operating gain & loss	10,708	11,467	11,323	11,638	11,972	12,451	
13. Average Annual Effective Interest Rate (%)		3%	5%	5%	5%	5%	5%	↓
	Total interest expense on LT debt	2,652	3,507	3,659	3,620	3,579	3,535	
	Total LT term (EB + principal paid during the year)	76,633	75,938	75,168	74,963	74,713	74,423	
14. Unrestricted Cash & Investments/ Long-Term Debt (%)		18.98%	20.63%	22.56%	24.43%	25.46%	26.77%	↑
	Unrestricted (current +noncurrent) Cash and Investment	14,242	15,340	16,596	17,927	18,614	19,496	
	Long term Debt less Current Portion	75,038	74,343	73,573	73,368	73,118	72,828	
15. Average Age of Facility (years)		5.91	6.90	7.85	8.86	9.89	11.70	↓
	Accumulated depreciation	24,452	28,600	32,777	36,947	41,103	44,946	
	Annual depreciation expense	4,140	4,148	4,177	4,170	4,156	3,843	

Chief Financial Officer Signature