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Continuing Care Contract Annual Report

Acacia Creek,
a Senior Living Community

October 31, 2015

ACACIA CREEK, A SENIOR LIVING COMMUNITY

CONTINUING CARE CONTRACT ANNUAL REPORT

PART 1

ACACIA CREEK

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February 19, 2016

Annette Kite
DSS
744 P St.
MS 10-90
Sacramento, CA 95814

Dear Ms. Kite:

I am the Grand Secretary of the Grand Lodge of California, the parent company for the Masonic Homes of California, 34400 Mission Boulevard, Union City, California. In connection with the Annual Report of Acacia Creek, a Senior Living Community as of and for the year ended October 31, 2015, I hereby certify to the following:

1. The annual reports attached hereto are to the best of my knowledge correct.
2. Each continuing care contract form in use by the Acacia Creek, a Senior Living Community for new residents has been approved by the Department of Social Services.
3. The required liquid reserves are being maintained for prepaid continuing care contracts.

This letter is intended to fulfill the requirements of Section 3 of the Annual Report Instructions and is considered an integral part of this filing.

If you have questions regarding this matter, please feel free to contact me at (415) 292-9140.

Sincerely,

Allan Casalou
Grand Secretary
Grand Lodge of California

ACACIA CREEK, A SENIOR LIVING COMMUNITY

CONTINUING CARE CONTRACT ANNUAL REPORT

PART 2

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	130
[2]	Number at end of fiscal year	158
[3]	Total Lines 1 and 2	288
[4]	Multiply Line 3 by .50 and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	144
	All Residents	
[6]	Number at beginning of fiscal year	174
[7]	Number at end of fiscal year	194
[8]	Total Lines 6 and 7	368
[9]	Multiply Line 8 by ".50" and enter result on Line 10	x .50
[10]	Mean number of all residents	184
[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)	0.78

FORM 1-2
ANNUAL PROVIDER FEE

Line				TOTAL
[1]		Total Operating Expenses		$9,622,794
	[a]	Depreciation	$2,689,053	
	[b]	Debt Service (Interest Only)	$774,379	
[2]		Subtotal (add Line 1a and 1b)		$3,463,432
[3]		Subtract Line 2 from Line 1 and enter result		$6,159,362
[4]		Percentage allocated to continuing care residents (Form 1-1, Line 11)		78%
[5]		Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)		$4,820,370
				x .001
[6]		**Total Amount Due (multiply Line 5 by .001)**		$4,820

PROVIDER: Acacia Creek, a Senior Living Community
COMMUNITY: Union City

ACACIA CREEK, A SENIOR LIVING COMMUNITY

CONTINUING CARE CONTRACT ANNUAL REPORT

PART 3

Grand Lodge Free & Accepted Masons of California and Masonic Homes of California
April 1, 2015 to April 1, 2016
Insurance Summary

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Fiduciary Liability – Great American Ins. Co.
Policy No. FDP6660691 (Claims Made)
Covers Grand Lodge/Masonic Homes/Acacia Creek

Limit of Liability	$	5,000,000
Pending or Prior Date		1/1/1987
Retention – Insured Persons Non-Indemnifiable	$	*0*
Retention – Company, Plan or IP for Indemnifiable	$	*5,000*
Premium:	$	**9,048**

TRIA Included

Directors & Officers Liability (*Grand Lodge*) incl. EPLI
Federal Ins. Co. - Policy No. 8208-1512 (Claims Made)
Covers Grand Lodge

Combined Maximum Aggregate D&O/EPLI	$	3,000,000
D&O Limit of Liability / Agg. Incl Defense Costs	$	3,000,000
EPLI Limits of Liability / Agg:	$	2,000,000
Retention (Grand Lodge)	$	*50,000*
Retention (Individual Lodges)	$	*10,000*
Pending/Prior Date:		7/1/97
Premium:	$	**60,704**

TRIA Included

Crime (*Grand Lodge*) – Federal Ins. Co.
Policy No. 82081512
Covers Grand Lodge

Employee Theft	$	2,000,000
Forgery Coverage	$	2,000,000
Premises Coverage	$	2,000,000
Transit Coverage	$	2,000,000
Computer Fraud/Funds Transfer Fraud	$	2,000,000
Money Orders/Counterfeit Paper Currency	$	2,000,000
Deductible	$	10,000
Premium:	$	**21,034**

TRIA Included

Directors & Officers Liability (*Hall Associations*) incl. EPLI
Federal Ins. Co. - Policy No. 82081493 (Claims Made)
Covers Hall Associations Only

Limit of Liability / Aggregate Incl Defense Costs	$	1,000,000
Retention	$	*10,000*
Pending/Prior Date		8/1/05
Premium:	$	**53,225**

TRIA Included

Crime (*Hall Associations*) – Federal Ins. Co.
Policy No. 82081493
Covers Hall Associations Only

Employee Theft	$	1,000,000
Forgery Coverage	$	1,000,000
Premises Coverage	$	1,000,000
Transit Coverage	$	1,000,000
Computer Fraud/Funds Transfer Fraud	$	1,000,000
Money Orders/Counterfeit Paper Currency	$	1,000,000
Deductible – Hall Associations	$	25,000
Premium:	$	**25,490**

TRIA Included

Cyber Liability
Grand Lodge, Masonic Homes, Acacia Creek
Lloyd's of London - Beazley
Policy No: W17A63150101
Policy Term: 1/7/2015 to 4/1/2016

Policy Aggregate Limit of Liability	$	3,000,000
Aggregate Limit Applicable to Regulatory Defense	$	1,000,000
Aggregate Limit Applicable to PCI Fines, Expenses & Costs	$	500,000
Privacy Breach Response Services	$	100,000
Computer Expert, Legal, Crisis Mngmt Services	$	1,000,000
Retention	$	25,000
Premium:	$	**19,000**

TRIA Included

Masons of California – Tulip Program
Atlantic Specialty Insurance Company
Policy No: General Liability: GL01391-06

General Liability		
Each Occurrence Limit:	$	1,000,000
Products Competed Operations Aggregate Limit	$	5,000,000
Personal & Advertising Injury Aggregate Limit	$	1,000,000
Damage to Premises Rented to You (Any One Premises)	$	50,000
Medical Expenses Limit		Not Provided
General Aggregate Limit		None
Liquor Liability – Each Common Cause	$	1,000,000
Liquor Liability – Each Declared Event	$	1,000,000
Premium:	$	**Paid by Lessors**

TRIA Included

Masons of California – Tulip Program
Atlantic Specialty Insurance Company
Policy No: Property: PF00622-05

Property:		
Third Party Property Damage	$	1,000,000
Third Party Property Damage - Deductible	$	1,000
Premium:	$	**Paid by Lessors**

TRIA Included

Dated: 6/12/2015

This document is a brief synopsis of coverage only; the policy or policies contain additions, exclusions and/or limitations that are not shown here. Please contact Marsh Risk & Insurance Services with any coverage questions.

Grand Lodge Free & Accepted Masons of California and Masonic Homes of California
April 1, 2015 to April 1, 2016
Insurance Summary

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Property Policy – Lexington Insurance Co.
Policy No. 021317952
Covers Grand Lodge/Masonic Homes/Acacia Creek/Hall Associations

Policy Limit	$	200,000,000
Maximum Amount payable - Halls Only		130% stated value
Buildings & Personal Property		Incl in Policy Limit
Electronic Data Processing Equipment*	$	1,500,000
Business Income	$	Included
Extra Expense*	$	50,000,000
Acacia Creek Entrance Fees		Included
Equipment Breakdown / Boiler & Machinery	$	Included
Earthquake Sprinkler Leakage		Included
Accounts Receivable*	$	1,000,000
Contingent Time Element*	$	500,000
Valuable Papers*	$	1,000,000
Endomosaic Window at Grand Lodge*	$	1,500,000
Fine Arts including Paraphernalia ($1M per occur $100,000 Maximum Any One Item)* Policy Limit	$	4,000,000
Newly Acquired Real & Personal Prop. (60 Days)*	$	2,500,000
Building Ordinance*	$	10,000,000
TRIA		Included
Transit*	$	1,000,000
Sewer Back-up (GL/MH/AC/MCYF)*	$	2,500,000
Sewer Back-up (Halls)*	$	100,000
Deeded Property (270 Days)*	$	2,500,000
Foundations, Footings and Pavements at GL-SF, MH Union City and Covina, AC and MCY&F*	$	10,000,000
All other locations*	$	2,500,000
Buildings and Additions Under Construction*	$	1,000,000
Earth Movement and Flood* (GL-SF, MH, MHCY&F only)	$	20,000,000
Deductibles		
Grand Lodge/Masonic Homes/Acacia Creek	$	50,000
Hall Associations (All Covs. ex. Sewer Backup)	$	1,000
Business Income/Rental Value		24 Hours
Valuable Papers and Fine Arts (including Paraphernalia)	$	1,000
Except windows at GL-SF and Acacia Creek	$	5,000
Earth Movement and EQSL		5% min $100,000
Sewer Back-up (Halls)	$	2,500
Total Insured Values	$	786,338,965
Premium:	$	**1,556,000** plus taxes

TRIA purchased

*Sub-limits are included and not in addition to the policy limit.

DIC (Earth Movement/Flood) – *Acacia Creek Only*
Arch (Non-Admitted) Policy No. ESP004926905- $5M p/o $10M
Colony (Non-Admitted) Policy No. DC262715 - $5M p/o $10M
Alterra E&S (Non-Admitted) Policy No. MKLS14XP004577- $5M p/o $10M xs $10M
Landmark (Non-Admitted) Policy No. LHQ420935- $5M p/o $10M xs $10M

Covers Acacia Creek Only

Policy Limit	$	20,000,000
Deductible		5%/$100,000
Total Declared Values	$	103,555,808
Premium:	$	**231,095** plus taxes
Modeling Fee	$	**250**

TRIA Rejected

General Liability (Grand Lodge & Halls) – Liberty Mutual Fire Ins. Co.
Policy No. TB2-Z91-445049-035
Covers Grand Lodge & Halls Only

General Liability		
General Aggregate	$	2,000,000
Per Location Aggregate	$	2,000,000
Subject to Annual Policy Aggregate	$	15,000,000
Products/Completed Operations Aggregate	$	2,000,000
Each Occurrence	$	1,000,000
Personal & Advertising Injury	$	1,000,000
Damage To Premises Rented To You	$	1,000,000
Medical Expense	$	10,000
Premium:	$	**389,002**
Employee Benefits (Claims Made)*		
Each Employee	$	1,000,000
Annual Aggregate	$	2,000,000
Deductible	$	0
Retroactive Date		7/1/2000
Premium:		**Included Above**

TRIA Purchased

**Employee Benefits Liability not applicable to halls*

Business Automobile – Employers Ins. Co. of Wausau
Policy No. ASC-Z91-445049-025
Covers Grand Lodge/Masonic Homes/Acacia Creek/Hall Associations
Halls covered for Non-Owned/Hired Only

Combined Auto Liability Single Limit	$	1,000,000
Auto Medical Payment Each Person	$	5,000
Uninsured Motorists	$	1,000,000
Physical Damage		Actual Cash Value
Deductibles		
Comprehensive ($2,500 for buses over 21 Pass.)	$	*1,000*
Collision ($2,500 for buses over 21 Pass.)	$	*1,000*
Comp./Collision for Non-Owned/Hired	$	*1,000*
Number of Vehicles	$	*23*
Provisional Premium:	$	**70,872**

TRIA Not Applicable

Umbrella Liability – Liberty Insurance Corporation
Policy No. TH7-Z91-445049-055
Covers Grand Lodge and Hall Associations for General Liability
Covers Grand Lodge/Masonic Homes/Acacia Creek/Hall Associations for Auto
Covers Grand Lodge/Masonic Homes/Acacia Creek for E/L

Each Occurrence	$	25,000,000
General Aggregate	$	25,000,000
Crisis Response	$	250,000
Self-Insured Retention	$	10,000
Premium:	$	**113,098**

TRIA Purchased

Workers' Compensation – Liberty Mutual Fire Ins. Co.
Grand Lodge – Policy No. WC2-Z91-445049-045 (Guaranteed Cost)

Workers Compensation		Statutory
Employers Liability	$	1,000,000
Deductible	$	0
Estimated Annual Payroll (Grand Lodge Only)	$	7,697,543
Estimated Annual Premium:	$	**58,506** incl surcharges

TRIA Included
Halls Associations not covered

Workers' Compensation – United State Fire Ins. Co.
Masonic Homes/Acacia Creek - Policy No. 406-721601-9 (Deductible Program)

Workers Compensation		Statutory
Employers Liability	$	1,000,000
Deductible (MH/AC Only)	$	250,000
Policy Agg./Maximum Deductible	$	1,800,000
Estimated Annual Payroll	$	19,680,496
Estimated Annual Premium (Fixed Costs):	$	**370,716** incl surcharges

TRIA Included

Dated: 6/12/2015

This document is a brief synopsis of coverage only; the policy or policies contain additions, exclusions and/or limitations that are not shown here. Please contact Marsh Risk & Insurance Services with any coverage questions.

ACACIA CREEK, A SENIOR LIVING COMMUNITY

CONTINUING CARE CONTRACT ANNUAL REPORT

PART 4

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Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

Masonic Homes of California and Subsidiaries

October 31, 2015 and 2014

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REPORT OF INDEPENDENT AUDITORS

To the Audit Committee
Masonic Homes of California and Subsidiaries

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Masonic Homes of California and Subsidiaries (collectively the "Organization"), which comprise the consolidated statement of financial position as of October 31, 2015, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Masonic Homes of California and Subsidiaries as of October 31, 2015, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Other Matters - Report on Summarized Comparative Information

We have previously audited the Organization's 2014 consolidated financial statements and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated February 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2014, is consistent, in all material respects, with the audited consolidated financial statements, from which it has been derived.

Other Matters - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position, consolidating statements of activities and changes in net assets, and consolidating statements of cash flows and supplemental schedule of program expenses (unaudited), and supplemental schedule of supporting services expenses (unaudited), for the year ended October 31, 2015 with summarized information for the year ended October 31, 2014, presented as supplementary information, are presented for purpose of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting, and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The accompanying supplemental schedules of program expenses and supporting services expenses for the years ended October 31, 2015 and 2014, presented as supplementary information, are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of the Organization's management. We did not audit or apply limited procedures to such information and we do not express an opinion or any form of assurance on them.

Moss Adams LLP

San Francisco, California
February 19, 2016

CONSOLIDATED FINANCIAL STATEMENTS

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
October 31, 2015 (With Summarized Comparative Information as of October 31, 2014)
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Consolidated	2014 Comparative Totals Only
Assets					
Current assets					
Cash and cash equivalents - unrestricted	$ 9,276	$ -	$ -	$ 9,276	$ 28,634
Funds held for residents	454	-	-	454	504
Receivables, net	935	-	-	935	1,353
Prepaid expenses and other assets	926	-	-	926	1,637
Related entities receivable	-	-	-	-	971
Assets held for sale	1,756	-	-	1,756	1,207
Total current assets	13,347	-	-	13,347	34,306
Investments, at fair value	689,160	1,384	150,532	841,076	845,596
Property and equipment, net	152,474	-	-	152,474	154,568
Assets held in trusts	-	13,060	32	13,092	13,506
Funds held for residents	500	-	-	500	878
Other assets	1,035	-	-	1,035	1,003
Total assets	$ 856,516	$ 14,444	$ 150,564	$ 1,021,524	$ 1,049,857
Liabilities and net assets					
Current liabilities					
Accounts payable and accrued liabilities	$ 2,969	$ -	$ -	$ 2,969	$ 2,608
Accrued payroll and benefits payable	2,409	-	-	2,409	1,817
Related entities payable	375	-	-	375	-
Total current liabilities	5,753	-	-	5,753	4,425
Liability to beneficiaries of split-interest agreements	-	1,033	2,140	3,173	3,312
Long-term debt, net	104,263	-	-	104,263	104,263
Liability for funds held for residents, net	500	-	-	500	878
Refundable advance fees	33,060	-	-	33,060	28,896
Deferred revenue	21,773	-	-	21,773	21,724
Total liabilities	165,349	1,033	2,140	168,522	163,498
Net assets	691,167	13,411	148,424	853,002	886,359
Total liabilities and net assets	$ 856,516	$ 14,444	$ 150,564	$ 1,021,524	$ 1,049,857

See accompanying notes.

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended October 31, 2015
(With Summarized Comparative Information for the Year Ended October 31, 2014)
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Consolidated	2014 Comparative Totals Only
Public Support and Revenue					
Contributions	$ 37	$ 512	$ 42	$ 591	$ 500
Bequests and memorials	4,375	1,648	280	6,303	3,765
Amortization of deferred revenue from assigned assets	2,801	-	-	2,801	2,795
Amount received from pensions assigned by resident	5,046	-	-	5,046	5,028
Investment income	13,674	164	-	13,838	17,906
Net realized gain on investments	37,060	362	-	37,422	39,091
Fee for service	7,138	-	-	7,138	6,073
Health service revenue	4,954	-	-	4,954	5,130
Royalty and other income	3,433	-	-	3,433	4,663
Change in value of split-interest agreements	-	(316)	-	(316)	657
Net assets released from restriction	2,558	(2,558)	-	-	-
Total public support and revenue	81,076	(188)	322	81,210	85,608
Expenses					
Program					
Operation of Acacia Creek - UC and Masonic Homes	44,397	-	-	44,397	42,807
Masonic Outreach Services	9,099	-	-	9,099	8,126
Program development	643	-	-	643	184
Scholarship	263	-	-	263	193
Total program expenses	54,402	-	-	54,402	51,310
Supporting services					
Marketing	680	-	-	680	809
Fundraising	906	-	-	906	892
Administration	5,940	-	-	5,940	5,740
Total supporting services expenses	7,526	-	-	7,526	7,441
Total expenses	61,928	-	-	61,928	58,751
Excess (deficit) of revenues over expenses before other items	19,148	(188)	322	19,282	26,857
Interest expense	(774)			(774)	(754)
Net unrealized loss on investments	(51,363)	(466)	-	(51,829)	(564)
Excess (deficit) of expenses over revenues before other changes in net assets	(32,989)	(654)	322	(33,321)	25,539
Change in unfunded pension obligation - net	-	-	-	-	4,879
Net effect of pension plan termination	(36)	-	-	(36)	(8,497)
Change in net assets	(33,025)	(654)	322	(33,357)	21,921
Net assets at beginning of year	724,192	14,065	148,102	886,359	864,438
Net assets at end of year	$ 691,167	$ 13,411	$ 148,424	$ 853,002	$ 886,359

See accompanying notes.

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended October 31, 2015 and 2014
(In Thousands)

	2015	2014
Cash flows from operating activities		
Contributions and bequests received	$ 6,984	$ 3,053
Net proceeds from assigned assets	7,556	12,193
Amounts received from assigned assets	5,046	5,028
Investment income received	13,838	17,906
Fee for service	7,138	6,073
Royalty and other income	7,395	8,192
Cash paid for operating expenses	(51,841)	(55,517)
Cash paid for pension termination	-	(9,891)
Net cash used in operating activities	(3,884)	(12,963)
Cash flows from investing activities		
Net proceeds from sales of investments	131,103	89,446
Purchase of investments	(140,992)	(50,918)
Purchase of equipment/construction	(5,904)	(3,137)
Change in assets limited in use	-	270
Net cash (used) provided by investing activities	(15,793)	35,661
Cash flows from financing activities		
Deposits refunded to residents	(377)	-
Contribution restricted for long-term investments	322	539
Funds held for residents	428	201
Changes in other assets	(47)	(4)
Net cash provided by financing activities	326	736
Net (decrease) increase in cash	(19,351)	23,434
Cash and cash equivalents, beginning of year	28,634	5,200
Cash and cash equivalents, end of year	$ 9,283	$ 28,634
Reconciliation of (decrease) increase in net assets to net cash from operating activities		
Change in net assets	$ (33,357)	$ 21,921
Adjustment to reconcile to net cash used in operating activities		
Depreciation and amortization of bond issuance costs	7,973	8,344
Amortization of deferred revenue	(2,801)	(2,795)
Realized and unrealized gain (loss) on investments	14,407	(38,527)
Contributions and income received restricted for investment in perpetuity	(322)	(539)
Change in unfunded pension obligation	-	(6,000)
Changes in assets and liabilities		
Receivables	418	(660)
Prepaid expenses and other assets	752	(613)
Related entities receivable and payable	1,346	(286)
Assets held for sale	(550)	3,869
Assets held in trusts	414	(125)
Accounts payable and accrued liabilities	961	(3,729)
Liability to beneficiaries of split interest agreements	(139)	(292)
Deferred revenue from assigned assets, net	7,014	6,469
Net cash used in operating activities	$ (3,884)	$ (12,963)

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and organization – Masonic Homes of California ("Masonic Homes"), a California not-for-profit corporation, operates a home for adults in Union City, California, and a home for adults in Covina, California. Masonic Homes is supported by The Grand Lodge of Free and Accepted Masons of the State of California (the "Grand Lodge") and members of the Masonic Fraternity in California.

Masonic Homes affiliated with Acacia Creek, A Masonic Retirement Living Community in Union City ("Acacia Creek – UC") by becoming the sole shareholder of Acacia Creek - UC. Masonic Homes owns Acacia Creek – UC with the purpose of serving the housing needs of the elderly with independent, assisted living, and dementia units. Acacia Creek – UC is included in the consolidated financial statements of Masonic Homes for the years ended October 31, 2015 and 2014.

Masonic Homes is subject to statutory reserve requirements. As of October 31, 2015, Masonic Homes' reserves, as calculated in accordance with Continuing Care Contract Statutes of the California Health and Safety Code, were in excess of such requirements.

Principles of consolidation – The consolidated financial statements include the accounts of Masonic Homes of California and Acacia Creek –UC (collectively, the "Organization"). All significant inter-company accounts and transactions have been eliminated.

Comparative information – The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended October 31, 2014, from which the summarized information was derived.

Net asset classifications – The accompanying consolidated financial statements have been prepared in accordance with the standards set forth in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-605 *"Revenue Recognition,"* and ASC 958-205 *"Presentation of Financial Statements"* and the guidelines set forth in the industry audit and accounting guide *"Health Care Entities"* issued by the American Institute of Certified Public Accountants ("AICPA"). Under these guidelines, contributions of cash and other assets are classified as one of the following three categories:

Unrestricted – Unrestricted net assets represent resources that are not subject to donor-imposed restrictions and are available to support Masonic Homes' activities.

Temporarily restricted – Temporarily restricted net assets represent contributions that are limited as to use in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Organization according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and reported as unrestricted. If a restriction is fulfilled in the same fiscal year in which the contribution was received, the contribution is reported as temporarily restricted support and net assets released from restrictions in that period.

Permanently restricted – Permanently restricted net assets represent contributions to be held in perpetuity as directed by the donor.

Use of estimates – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Estimates included in these consolidated financial statements relate to fair market value of investments, liability to beneficiaries of split-interest agreements in various charitable remainder trusts, fair market value of real and personal property assigned by residents, the useful lives of property and equipment, and allocations of functional expenses. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments – The carrying amounts reported in the accompanying consolidated statement of financial position for cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and related entities receivables and payables approximate fair value due to their short-term nature. Discussion on the fair value of financial instruments is included in Note 3.

Fair valuation process – The Organization determines fair value measurement policies and procedures for assets and liabilities under the supervision of the Investment Committee. These policies and procedures are reassessed annually to determine if the current valuation techniques are still appropriate. A variety of qualitative factors are used to subjectively determine the most appropriate valuation methodologies. Methodologies are consistent with the market, income, and cost approaches. Unobservable inputs used in fair value measurements are evaluated and adjusted on an annual basis, or as necessary based on current market conditions and other third-party information. In determining the reasonableness of the methodology, Masonic Homes evaluates a variety of factors that include a review of existing agreements, economic conditions, industry, and market developments. Certain unobservable inputs are assessed through review of contract terms while others are substantiated utilizing available market data, including but not limited to market comparables, qualified opinions, and discount rates and mortality tables for split-interest agreements.

Cash and cash equivalents – Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less at the time of purchase, with the exception of cash and cash equivalents held in the endowment fund as investments the use of which is restricted use is restricted.

Cash and cash equivalents consisted of the following as of October 31:

	2015	2014
	(In Thousands)	(In Thousands)
Operating cash	$ 1,577	$ 2,003
Money market	7,699	26,631
Total cash and cash equivalents - unrestricted	$ 9,276	$ 28,634

Other Assets – Other assets consist of funds to be used for certain issuance costs funded from proceeds related to the Variable Rate Revenue Bonds, Series 2013A (Note 13).

Funds held for residents – Funds held for residents include residents' accounts at Union City, Covina, and Acacia Creek - UC, which comprise of (a) deposits made by residents for a unit in Acacia Creek - UC (b) unexpended portions of monthly allowances made to residents, or (c) other income earned by residents. A corresponding liability related to deposits for Acacia Creek - UC units is reported as liability for funds held for residents (Note 2) while a corresponding liability for the unexpended portion of monthly allowances is included in accounts payable and accrued liabilities.

Receivables, net – The Organization receives payment for health services from residents, insurance companies, Medicare, Medi-Cal, HMOs, and other third-party payors. As a result, the Organization is exposed to certain credit risks. The Organization manages its risk by regularly reviewing its accounts receivable and, on a periodic basis, evaluates its accounts receivable and establishes an allowance for uncollectible accounts, based on a history of past write-offs and collections. Past-due status is based upon the date of services provided. Uncollectible receivables are charged off when deemed uncollectible. Recoveries from previously charged-off accounts are recorded when received.

Prepaid expenses and other assets – Prepaid expenses and other assets consist primarily of pension prepayments and intangible assets, insurance premium prepayments, notes receivable, and resident-assigned assets awaiting liquidation. Other assigned assets are recorded at fair market value on the date of assignment.

Assets held for sale – Assets held for sale consist primarily of tangible property received from residents, including residential real estate that is held for sale. Assets are recorded at 80% to 90% of appraised value on the date of assignment with the intention of liquidating within 180 days.

Investments – Investments in debt and equity securities are stated at estimated fair market values based on quoted market prices. Investments received through gifts are recorded at estimated fair market values at the dates of donation. The fair value of alternative investments is recorded at the investment manager's Net Asset Value ("NAV"), as the managers have the greatest insight into the investments of their funds and the related industry, and have the appropriate expertise to determine the NAV. The Organization assesses the NAV and takes into consideration events such as suspended redemptions, restructuring, secondary sales, and investor defaults to determine if an adjustment is necessary. Additionally, asset holdings are reviewed within the investment manager's audited financial statements as well as interim financial statements and fund manager communications, for the purposes of assessing valuation. Unrealized gains or losses that result from market fluctuations are recorded in the period in which such fluctuations occur. Realized gains or losses resulting from sales or maturities of securities are calculated on a cost basis.

Property and equipment – Property and equipment are carried at cost. Purchases of property and equipment amounting to $1,000 and above are capitalized and depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 50 years
Equipment	3 - 35 years
Furniture and fixtures	5 - 20 years
Vehicles	3 - 4 years

The Organization evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset.

Assets held in trusts – Assets held in trusts represent the assets used to satisfy the liability to beneficiaries of split-interest agreements. When a donor establishes a split-interest agreement where Masonic Homes is the trustee the lump sum received by the donor is invested separately (Note 5).

Professional liability insurance – The Organization insures for professional liability claims under a "claims-made policy." The policy covers only those claims actually reported during the policy term up to $5,000,000, subject to a $500,000 self-insured retention. Should this policy not be renewed or replaced with equivalent insurance, claims made outside of the policy period may be uninsured. Management's intention is to continue insuring for professional liability exposures at all times. Management is not aware of any pending claims that exceed the coverage limitations provided by the policy. Management is of the opinion that the impact, if any, of unknown claims is immaterial and any settlement would not have a material adverse effect on the Organization's financial position. Management's estimate of the Organization's liability for expected losses is based on historical claims experience. At this time there are no accruals for liability included in accounts payable and accrued liabilities, nor are any insurance receivables recorded in the consolidated financial statements of the Organization.

Workers' compensation insurance – The Organization insures for workers' compensation claims under a "claims-made policy "in compliance with the Workers' Compensation Law of the State of California. The policy covers only those claims actually reported during the policy term up to $1,000,000, subject to a $250,000 deductible per occurrence. Under California Law workers' compensation coverage must be carried by all employers, therefore, if this policy was not renewed, replacement coverage would need to be secured. There are no accruals for unreported claims accounts payable and accrued liabilities in the consolidated financial statements of the Organization. Under the program, the Organization pays its claims and costs falling under the $250,000 deductible as incurred, and no accruals have been made nor reserves established in the consolidated financial statements of the organization for any open claims that have not reached the $250,000 deductible threshold. The organization pays for claims and increases in reserves held by the insurance company on a quarterly basis, regardless of the policy year the claim was filed. Management is of the opinion that the impact, if any, of unreported claims or open claims is immaterial and would not have an adverse impact on the Organization's financial position.

Liability to beneficiaries of split-interest agreements

Deferred revenue from pooled income fund – Deferred revenue from pooled income fund represents the discount for future investment earnings on Masonic Homes' remainder interest in the Masonic Homes Pooled Income Fund (the "Pooled Income Fund") (Note 5). Masonic Homes has determined the amount deferred using the tax deduction methodology from Internal Revenue Service ("IRS") Publication 1457 tables, and a discount rate of 4.075% and 3.665% as of October 31, 2015 and 2014, respectively. Deferred revenue from Pooled Income Fund included in liability to beneficiaries of split-interest agreements in the consolidated statements of financial position was $366,000 and $369,000 as of October 31, 2015 and 2014, respectively.

Liability to beneficiaries of charitable remainder trusts – Liability to beneficiaries of charitable remainder trusts represents the income beneficiaries' interest in various charitable remainder trusts of which Masonic Homes is the trustee (Note 5). The liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. Masonic Homes has determined the amount of the liability using the tax deduction methodology from IRS Publication 1457, Table S, or IRS Publication 1458, Table D, as applicable, and using a discount rate of 6.00% as of October 31, 2015 and 2014. Liabilities to beneficiaries of charitable remainder trusts included in liabilities to beneficiaries in the consolidated statements of financial position were $2,100,000 and $2,212,000 as of October 31, 2015 and 2014, respectively.

Obligation to provide future services to current residents – The Organization is required to accrue a liability in the consolidated financial statements to cover future services to current residents if deferred residency fees plus future anticipated income are not sufficient to cover these costs. Management has determined that no such accrual is required in the accompanying consolidated financial statements.

Revenue recognition

Masonic Homes

Residency fees – The adult residents who enter Masonic Homes are required by a life-care agreement to assign 75% of their assets to Masonic Homes in exchange for continuing care for the remainder of their lives. In the event that a continuing care contract is canceled by the resident through withdrawal within the first 90 days of residency, the resident is entitled to a pro-rata refund of all his or her assigned assets. As of October 31, 2015 and October 31, 2014, deferred revenues from assigned assets subject to refund, were $544,000 and $286,000, respectively. The remaining portion is amortized over the life of the resident and is included in deferred revenue.

The fair-market value of real and personal property assigned to Masonic Homes by residents entering into a continuing care contract is deferred and amortized over the actuarially determined individual or joint and last survivor life expectancy (using the straight-line method), with any unamortized balance recognized as income upon death of the individual or last survivor.

Health service revenue - Masonic Homes – Health service revenues are recognized in the month in which services are provided and collectability is reasonably assured. In addition, health service revenue is presented net of third-party rate adjustments. Other revenue is recognized as the related services are provided and includes guest services income, catering income, and other miscellaneous income.

Masonic Homes provides health care services primarily to residents of its communities. Laws and regulations governing Medicare and Medi-Cal programs are complex and subject to interpretation. Masonic Homes believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medi-Cal programs.

Fee for service – Masonic Homes – Financially qualified adult residents may enter Masonic Homes by paying a monthly rental fee; such amounts vary with an option to pay an entrance fee. In the event of withdrawal, residents are refunded entrance fees ratably over the first 36 or 60 months.

Assigned retirement benefits – Resident retirement benefits that are assigned to Masonic Homes are recognized when received. These amounts are generally received in the form of annuity payments.

Acacia Creek - UC

Entrance fees – Acacia Creek - UC – The adult residents who enter and sign a Residence and Care Agreement are allowed a 90-day trial period during which the resident may leave the community at their discretion and receive, upon written notice, a refund of all fees less a reasonable processing fee and fees for the value of services rendered during occupancy. The majority of the adult resident entrance fees are refundable ranging from 50% to 100% upon the resident's death or termination of the agreement. Acacia Creek - UC is required to refund the entrance fees when the unit is re-sold. As of October 31, 2015 and 2014, refundable entrance fees subject to refund were $33,060,000 and $28,896,000, respectively. The nonrefundable portion is amortized over the life of the resident and is included in deferred revenue.

Fee for service – Acacia Creek – UC – Acacia Creek - UC offers a variety of living accommodations, fine amenities, a comprehensive Wellness Program, and several types of support and health care. Residents pay 1) a monthly fee, which varies according to the size and type of apartment selected and by the level of care needed, and 2) fees for optional services, if applicable.

Contributions – The Organization records contributions and unconditional promises to give in the period they are received in accordance with ASC 958-605, *Revenue Recognition*. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Recognition of donor-restricted contributions – Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Functional expense allocations – Expenses, such as depreciation, supplies, personnel, and occupancy costs, are allocated among program services and supporting services classifications on the basis of time records and on estimates made by the Organization's management.

Concentration of credit risk – Financial instruments potentially subjecting the Organization to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation insurance thresholds, cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds, and various debt and equity investments in excess of Securities Investor Protection Corporation insurance. Demand deposits are placed with a local financial institution, and management has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the consolidated financial statements. The risk associated with the investments is mitigated through diversification.

Tax-exempt status – Masonic Homes and Acacia Creek – UC are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of California Revenue and Taxation Code and have been granted tax-exempt status by the IRS and the California Franchise Tax Board. Accordingly, no provision for income taxes is included in the consolidated financial statements.

On July 1, 2008, the Organization adopted ASC 740, *Income Taxes*. This statement is effective for fiscal years beginning after December 15, 2006. The interpretation establishes a single model to address accounting for uncertainty in income tax positions. It prescribes a minimum recognition threshold that an income tax position is required to meet before being recognized in the consolidated financial statements. To recognize the position, the filing position would be sustained upon examination. The interpretation also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition of uncertain tax positions. There was no impact as a result of adopting the provisions of ASC 740.

New accounting pronouncements – In April 2013, the FASB issued Accounting Standards Update No. 2013-06, *Services Received from Personnel of an Affiliate* ("ASU 2013-06"), to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. 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 a cost will significantly overstate or understate that service received, the recipient not-for-profit entity may elect to recognize that service at either (1) the cost recognized by the affiliate for personnel providing that service or (2) the fair value of that service. The Organization implemented this guidance in 2014. The adoption did not have a material impact on the consolidated financial statements.

Reclassification – Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements. Other assets and deferred revenue have been reduced by $2,430,000 to eliminate amounts payable to Masonic Homes of California and receivable from Acacia Creek as of October 31, 2014, respectively. The effect of this reduction has reduced total assets and total liabilities and net assets from $1,052,287,000 to $1,049,857,000 as of October 31, 2014.

NOTE 2 – FUNDS HELD FOR RESIDENTS

Funds held for residents consisted of the following as of October 31:

	2015 (In Thousands)	2014 (In Thousands)
Acacia Creek — UC	$ 500	$ 878
Masonic Homes Union City	91	65
Masonic Homes Covina	363	439
Total funds held for residents	$ 954	$ 1,382

NOTE 3 – INVESTMENTS

Investments are presented at fair value and consist of corporate stocks, fixed income securities, and institutional mutual funds that invest primarily in diversified portfolios of fixed income securities, corporate stocks, and real estate.

Investments consisted of the following as of October 31:

	2015 (In Thousands)	2014 (In Thousands)
Corporate stocks	$ 297,213	$ 298,099
Equity mutual funds	208,378	179,489
Alternative investments	203,272	134,442
Fixed income mutual funds	132,213	233,566
Total investments	$ 841,076	$ 845,596

Alternative investments are less liquid than the Organization's other investments. The following table summarizes these investments by investment strategy type at October 31:

	2015		2014	
		(In Thousands)		(In Thousands)
Alternative investment strategy	Number of funds		Number of funds	
Real estate investment trust	1	$ 47,208	1	$ 43,188
Hedge fund of funds	2	43,880	1	41,638
Global Macro	1	42,640	-	-
Credit Long / Short	1	40,977	-	-
Opportunistic	1	28,567	-	-
Managed Futures	-	-	2	49,616
Total alternative investments	6	$ 203,272	4	$ 134,442

The following table shows the gross unrealized losses and fair value of investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category, and length of time that individual securities have been in a continuous unrealized loss position, at October 31, 2015 and 2014:

	2015 (In Thousands)					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity	$ 42,323	$ (4,396)	$ -	$ -	$ 42,323	$ (4,396)
Fixed income mutual funds	-	-	52,460	(13,659)	52,460	(13,659)
Equity mutual funds	83,103	(5,929)	-	-	83,103	(5,929)
Alternative investments	69,544	(3,196)	-	-	69,544	(3,196)
Total temporarily impaired investments	$ 194,970	$ (13,521)	$ 52,460	$ (13,659)	$ 247,430	$ (27,180)

	2014 (In Thousands)					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed income mutual funds	$ -	$ -	$ 111,729	$ (5,613)	$ 111,729	$ (5,613)
Alternative investments	-	-	43,188	(1,274)	43,188	(1,274)
Total temporarily impaired investments	$ -	$ -	$ 154,917	$ (6,887)	$ 154,917	$ (6,887)

Equity – These are small cap value stocks. The fund seeks stocks that must yield at least 1% value, with low relative valuation, and with a fundamental catalyst (improve earnings, cost structure). A sell decision focuses on the changes or a decline in the three factors.

Fixed income mutual funds – This is a PIMCO All Asset All Authority Fund. The fund seeks long-term real returns. The fund invests in actively managed PIMCO mutual funds, including developed and emerging bonds and stocks, real estate, commodities, and absolute-return oriented strategies.

Equity mutual funds – These funds are comprised of both U.S. and Global Mutual Funds. The Organization's investment policy states the Organization believes the capital markets are "mean-reverting" by nature. Therefore, it adheres to long-term asset allocation strategies and periodic, regular rebalancing. The Organization believes market timing is ineffective as a long-term investment strategy and will remain fully invested in all long-term mandates.

Alternative investments – These funds are comprised of Credit Long/Short and Opportunistic Futures. The Organization's investment policy states that the Organization believes the capital markets are "mean-reverting" by nature. Therefore, it adheres to long-term asset allocation strategies and periodic, regular rebalancing. The Organization believes market timing is ineffective as a long-term investment strategy and will remain fully invested in all long-term mandates.

As of October 31, 2015, the fair market of the investments and assets held in trusts was $854,168,000. As of December 31, 2015, the fair market value of the investments and assets held in trusts outstanding was $836,653,000.

ASC 820 *Fair Value Measurements and Disclosures,* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value per share (or its equivalent) with the ability to redeem the investment in the near term.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Available-for-sale securities/assets held in trusts – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include certain real estate investments, hedge fund of funds, and other less liquid securities using investment appropriate models like the income approach for real estate investments and an NAV approach for the hedge fund of funds. For those assets held in trusts classified as Level 3, the fair value is based on the fair value of underlying investments and Masonic Homes' percentage of interest in the trusts.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at October 31:

	2015 (In Thousands)			
	Fair Value	Level 1	Level 2	Level 3
Available-for-sale				
Corporate stocks				
Domestic stocks	$ 127,386	$ 127,386	$ -	$ -
Foreign stocks	169,827	169,827	-	-
Equity mutual funds				
Domestic equity	121,611	6,343	115,268	-
Foreign equity	86,767	86,767	-	-
Alternative investments	203,272	-	47,208	156,064
Fixed income mutual funds	132,213	56,653	75,560	-
Total available-for-sale investments	841,076	446,976	238,036	156,064
Assets held in trusts				
Corporate stocks				
Domestic stocks	424	-	-	424
Equity mutual funds				
Domestic stocks	4,379	3,232	-	1,147
Foreign stocks	2,319	1,662	-	657
Alternative investments	221	-	-	221
Fixed income mutual funds	5,391	4,628	-	763
Money market accounts	358	294	-	64
Total assets held in trusts	13,092	9,816	-	3,276
Total	$ 854,168	$ 456,792	$ 238,036	$ 159,340

	2014 (In Thousands)			
	Fair Value	Level 1	Level 2	Level 3
Available-for-sale				
Corporate stocks				
Domestic Stocks	$ 131,075	$ 131,075	$ -	$ -
Foreign Stocks	167,024	166,171	853	-
Equity mutual funds				
Domestic equity	91,887	6,389	85,498	-
Foreign equity	87,602	87,602	-	-
Alternative investments	134,442	-	43,188	91,254
Fixed income mutual funds	233,566	233,566	-	-
Total available-for-sale investments	845,596	624,803	129,539	91,254
Assets held in trusts				
Corporate stocks				
Domestic stocks	448	32	-	416
Equity mutual funds				
Domestic stocks	4,506	3,322	-	1,184
Foreign stocks	2,366	1,640	-	726
Alternative investments	237	-	-	237
Fixed income mutual funds	5,537	4,704	-	833
Money market accounts	412	317	-	95
Total assets held in trusts	13,506	10,015	-	3,491
Total	$ 859,102	$ 634,818	$ 129,539	$ 94,745

The following table reconciles the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated financial statements using significant unobservable (Level 3) inputs:

(In Thousands)	Fair Value	Q-BLK Strategic Partners II, Ltd.	BlackRock BAF IV	Caxton Global	Caspian	PIMCO BRAVO II	Robeco and Man Managed Futures	Asset Held in Trust
Balance, October 31, 2013	$ 92,510	$ 43,530	$ -	$ -	$ -	$ 4,151	$ 41,402	$ 3,427
Total realized and unrealized gain and loss								
Included in excess of revenues and expenses	4,248	2,647	-	-	-	1,008	593	-
Included in changes in unrestricted net assets	6,979	(298)	-	-	-	621	6,656	-
Included in changes in temporarily restricted net assets	64	-	-	-	-	-	-	64
Purchases, issuances, and settlements								
Purchases	(9,056)	(22,939)				12,919	964	-
Balance, October 31, 2014	$ 94,745	$ 22,940	$ -	$ -	$ -	$ 18,699	$ 49,615	$ 3,491
Total realized and unrealized gain and loss								
Included in excess of revenues and expenses	14,266	2,873	-	-	-	3,517	7,876	-
Included in changes in unrestricted net assets	(14,835)	(2,646)	275	(605)	(2,333)	(1,650)	(7,876)	-
Included in changes in temporarily restricted net assets	(215)	-	-	-	-	-	-	(215)
Purchases, issuances, and settlements								
Purchases	65,379	(2,500)	22,939	43,245	43,310	8,000	(49,615)	-
Balance, October 31, 2015	$ 159,340	$ 20,667	$ 23,214	$ 42,640	$ 40,977	$ 28,566	$ -	$ 3,276

As required by ASC 820, the investments are classified within the level of the lowest significant input considered in determining fair value. In evaluating the level at which the Organization's investments have been classified, the Organization has assessed factors including, but not limited to, the ability to redeem at NAV at the measurement date and the existence or absence of certain restrictions at the measurement date. In accordance with the guidance, if the Organization has the ability to redeem from the investment at the measurement date or in the near-term at NAV, the investment would be classified as a Level 2 fair value measurement. Alternatively, if the Organization will never have the ability to redeem from the investment or is restricted from redeeming for an uncertain or extended period of time from the measurement date, the investment would be classified as a Level 3 fair value measurement.

There were no significant transfers between Levels 1, 2, and 3 in the fiscal year ended October 31, 2015.

The following table provides the fair value and redemption terms and restrictions for investments redeemable at NAV as of October 31, 2015:

Fund Type	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Real Estate (UBS TPF)	$ 47,208	$ -	Quarterly	60 days
Q-BLK Strategic Partners II, Ltd.	$ 20,667	$ -	Monthly/Quarterly	90 - 180 days
Blackrock BAF IV	$ 23,214	$ -	Quarterly	90 - 180 days
Collective Trust Fund (BlackRock US Equity)	$ 115,268	$ -	Daily	1 - 5 days
Credit Long/Short (Caspian)	$ 41,093	$ -	Quarterly	90 days, lock-up 1st year
Global Macro (Caxton Global Investment)	$ 44,557	$ -	Quarterly	45 days
PIMCO Bravo II	$ 28,566	$ 15,000	n/a	n/a

Real Estate ("UBS TPF") – This category invests in an actively managed core portfolio of equity real estate that seeks to provide attractive returns while limiting downside risk and has both relative and real return objectives. Its relative performance objective is to outperform the NFI-ODCE index over any given three-to-five-year period. The fund's real return performance objective is to achieve at least a 5% real rate of return (i.e., inflation-adjusted return), before advisory fees, over any given three-to-five year period. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

Q-BLK Strategic Partners, Ltd. – This fund includes investments in hedge fund of funds. The fund's objective is to provide its investors with capital appreciation, while endeavoring to minimize corresponding risk through direct and/or indirect investments that pursue a variety of investment strategies. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

Blackrock BAF IV – The Fund's investment objective is to seek, over time, to achieve net returns commensurate with the long-run return on public equities with half the volatility and low beta to the public equity markets. The fund is a diversified, commingled investment vehicle that seeks to generate positive absolute returns. The fund invests in alternative strategies that, as a portfolio, seek to generate returns while minimizing market risk, including risks related to the overall direction of the equity markets and interest rates.

Collective Trust Fund ("BlackRock US Equity") – These common trust funds are invested and reinvested primarily in a portfolio of equity securities with the objective of approximating as closely as practicable the capitalization weighted total rate of return of the entire United States market for publicly traded equity securities. The criterion for selection of investments is the Dow Jones U.S. Total Stock Market Index.

Credit Long/Short ("Caspian") - The investment objective of the fund, the Intermediate fund, and the master fund is to achieve long-term capital appreciation, on a favorable risk-adjusted basis, by applying a flexible and opportunistic approach to investing which involves evaluating the current attractiveness of various asset classes, including bank loans, bonds, equities, speculative investments, and cash equivalents, and investing its assets accordingly.

Global Macro ("Caxton Global Investment") – The Fund's objective is capital appreciation. Its principal activity is trading in the international currency, financial, commodities and securities markets. The fund has a broad mandate to trade in all exchange and over-the-counter markets, and to trade in derivative products and other instruments. The fund pursues these activities through the investment of its capital in Caxton International Limited, a BVI business company, through Caxton Intermediate Fund L.P., a BVI international limited partnership, with the exception of certain short-term investments for cash management purposes, strategic investments, and currency hedging transactions with respect to T-Euro Shares, T-GBP Shares, T-AUD Shares, and T-JPY Shares respectively.

PIMCO Bravo II – An opportunistic residential and commercial credit strategy seeking to capitalize on the continued deleveraging and re-regulation of the financial system, with particular focus on bank disposition of assets for noneconomic reasons. The fund seeks to earn long-term returns by acquiring discounted loans or structured credit tied to residential or commercial real estate markets in the U.S. or Europe, managing assets through restructuring, high-quality specialty servicing, and exerting operational control to extract additional value, purchasing assets with exposure to a potential U.S. housing recovery, and targeting uncrowded areas of global credit markets that fall in between public securities and private real estate markets.

The following methods were used to estimate the fair value of all other financial instruments:

Cash and cash equivalents – The carrying amount approximates fair value.

Long-term debt – The fair value of long-term debt is estimated based on discounted cash flow analyses, based on Masonic Homes' current incremental borrowing rates for similar types of borrowing arrangements. The debt instruments as of October 31, 2015 and 2014, materially approximate their carrying values (Note 13).

The following table presents estimated fair values of Masonic Home's financial instruments in accordance with ASC 825, *Financial Instruments,* at October 31:

	2015		2014	
	(In Thousands)		(In Thousands)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents - unrestricted	$ 9,276	$ 9,276	$ 28,634	$ 28,634
Available-for-sale securities - investments	$ 841,076	$ 841,076	$ 845,596	$ 845,596
Assets held in trusts	$ 13,092	$ 13,092	$ 13,506	$ 13,506
Long-term debt	$ (104,263)	$ (104,263)	$ (104,263)	$ (104,263)

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of October 31:

	2015	2014
	(In Thousands)	(In Thousands)
Land and improvements	$ 16,074	$ 16,041
Buildings and improvements	236,301	233,384
Furniture and equipment	24,357	23,168
Construction in progress	3,887	2,160
Leasehold improvement	190	190
Total property and equipment	280,809	274,943
Less: accumulated depreciation	(128,335)	(120,375)
Property and equipment, net	$ 152,474	$ 154,568

Depreciation expense for the years ended October 31, 2015 and 2014, totaled $7,056,000 and $8,345,000, respectively.

NOTE 5 – ASSETS HELD IN TRUSTS

Assets held in trusts consisted of the following as of October 31:

	2015 (In Thousands)	2014 (In Thousands)
Contributions receivable from split-interest agreements	$ 305	$ 322
Assets of pooled income fund	832	869
Assets of charitable remainder trusts	7,506	7,568
Assets of charitable gift annuities	1,478	1,578
Beneficial interest in perpetual trusts	2,971	3,169
Total assets held in trusts	$ 13,092	$ 13,506

Contributions receivable from split-interest agreements – Contributions receivable from split-interest agreements represent the estimated net present value of Masonic Homes' interest in various irrevocable trusts held by third parties. The net present value of these receivables was determined using the tax deduction methodology from the IRS.

Assets of pooled income fund – Assets of the Pooled Income Fund represent the fair value of assets held in the Pooled Income Fund, which was organized in 1974 as a charitable trust to which donors contribute irrevocable remainder interests in investments while retaining an income interest for life for one or more beneficiaries. All dividend and interest income of the Pooled Income Fund is distributed quarterly to the beneficiaries, based on their proportionate share of the Pooled Income Fund. Upon the death of each donor's last income beneficiary, the remainder interest becomes available for Masonic Homes' use.

Contributions are measured at the fair value of the assets received and discounted for the estimated life expectancy of the donor, which is obtained from life expectancy tables published by the IRS. The amount discounted is reported as discount for future interest and recognized using the straight-line method over the donor's remaining life expectancy. The interest rate used in calculating the discount approximates the average return provided by the fund in the years prior to the applicable contribution. As of October 31, 2015 and 2014, the rates were estimated to be 4.08% and 3.67%, respectively.

Assets of charitable remainder trusts – Assets of charitable remainder trusts consist of cash and other assets received under various irrevocable charitable trusts of which Masonic Homes is the trustee. The assets received under these agreements are recorded at estimated fair market value when received. Masonic Homes utilizes an outside fund consultant to value these assets annually.

Assets of charitable gift annuities – Assets of charitable gift annuities consist of cash and other assets received under irrevocable annuity contracts. These contracts guarantee a specified amount for the life of the donor, or beneficiaries designated by the donor. The assets received are not commingled with the general assets of Masonic Homes. A reserve account has been established and invested in accordance with California statutes. The discount rates used range from 1.20% to 6.00%. Upon the death of the donor, the remaining funds revert to Masonic Homes and are taken into income. The change in present value of the gift annuities for the year ended October 31, 2015 and 2014 was $55,000 and $27,000, respectively.

Beneficial interests in perpetual trusts – Beneficial interests in perpetual trusts represent the net present value of Masonic Homes' irrevocable interest in the income generated from various perpetual trusts held by third-party trustees. The assets of the trusts have been donor restricted for investment in perpetuity. The beneficial interest in perpetual trusts included in the consolidated financial statements of position is $2,971,000 and $3,169,000 at October 31, 2015 and 2014, respectively.

NOTE 6 – DEFERRED REVENUE FROM ASSIGNED ASSETS AND REFUNDABLE ADVANCED FEES

Changes in deferred revenue from assigned assets and refundable advanced fees are as follows for the years ended October 31:

	2015 (In Thousands)	2014 (In Thousands)
Balance, beginning of period and year	$ 50,620	$ 46,945
Received from new residents	11,190	10,375
Amortized		
Due to deaths and withdrawals	(2,688)	(1,676)
Based on actuarial calculation	(4,289)	(5,024)
Balance, end of period and year	$ 54,833	$ 50,620

Deferred revenue from assigned assets of $2,430,000 have been eliminated from the beginning balance of the year ended October 31, 2014 for assigned assets refundable to Masonic Homes that were recorded as other assets. The effect of this elimination has reduced the beginning balance for the year ended October 31, 2014 from $49,367,000 to $46,945,000 as of October 31, 2014.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets consisted of the following as of October 31:

	2015 (In Thousands)	2014 (In Thousands)
Available-for-use in awarding scholarships or other programs related to children	$ 6,058	$ 6,240
Available-for-use in the activities of the homes in Union City and Covina upon lapse of time restrictions	7,353	7,825
Total temporarily restricted net assets	$ 13,411	$ 14,065

Net assets were released from donor restrictions as shown in the following table for the years ended October 31, 2015 and 2014. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2015 (In Thousands)	2014 (In Thousands)
Use in the activities of the home for adults in Union City, California	$ 486	$ 166
Use in the activities of the home for adults/children in Covina, California	322	653
Use in Masonic Outreach Services	1,487	419
Use in awarding scholarships and other community sponsorhip	263	193
Total net assets released from restrictions	$ 2,558	$ 1,431

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support the following activities as of October 31:

	2015	2014
	(In Thousands)	(In Thousands)
Use in the activities of Masonic Homes	$ 146,757	$ 146,434
Use in awarding scholarships	1,667	1,668
Total permanently restricted net assets	$ 148,424	$ 148,102

NOTE 9 – RETIREMENT PLANS

Defined benefit plan – Masonic Homes and the Grand Lodge participate in a defined benefit pension plan (the "Plan") that covers all employees. The allocation of Masonic Homes represents 83.85% of the Plan. The Grand Lodge is the sponsoring employer of the Plan.

Plan termination – The Plan was frozen effective March 31, 2007, and all benefits ceased to accrue. On February 28, 2014, the board of directors of the Grand Lodge voted to terminate the Plan effective July 30, 2014. The board also approved an amendment to the plan to offer a one-time opportunity to elect lump sum for all non-retired participants. The amendment also provides for late retirement benefits and in-service retirement income.

The accrued benefits of each participant became nonforfeitable, and the net assets of the Plan will be allocated, as prescribed by the terms and provisions of the Plan in accordance with ERISA and its related regulations, to provide benefits, subject to any required approval of the IRS and the Pension Benefit Guaranty Corporation (PBGC). Participants in the Plan are fully vested and may elect to have their benefit in the Plan distributed in the form of a lump sum payment or in an annuity purchased by the plan for the benefit of the participant.

As of October 31, 2014, the Plan paid out all the benefits in the form of a lump sum payment to terminated vested employees and active employees or through the purchase of an annuity for retired participants and those participants who did not choose a lump sum. The annuities were purchased through Mass Mutual Financial Group, the replacement Trustee of the Plan. Total amount paid to the Plan participants in the form of a lump sum payment was $11,556,000, and the annuity purchases paid to Mass Mutual Financial Group were $23,697,000.

The following table summarizes the Plan's activities for the years ended October 31, 2015 and 2014:

	2015 (In Thousands)	2014 (In Thousands)
Change in benefit obligation		
Benefit obligation at beginning of year	$ -	$ 29,585
Interest cost	-	1,477
Actuarial loss (gain)	-	6,149
Benefits paid	-	(1,477)
Administrative expenses	-	(590)
Settlements	-	(35,144)
Benefit obligation at year end	-	-
Change in plan assets		
Fair value of plan assets at beginning of period and year	213	22,427
Actual return on plan assets	-	1,303
Employer contribution	-	13,693
Benefits paid	(134)	(1,477)
Administrative expenses paid	(79)	(590)
Settlements	-	(35,143)
Fair value of plan assets at end of year	-	213
Funded Status	$ -	$ 213
Amounts recognized in the statement of activities and changes in net assets consist of:		
Noncurrent liabilities	$ -	$ (213)
Net actuarial loss	-	-
Amounts recognized in the statement of activities and changes in net assets consist of:		
Net periodic pension cost	$ -	$ 14,551
Amortized net gain	-	(584)
Net loss (gain)	-	5,069
Settlements	-	(12,712)
	$ -	$ 6,324

	2015 (In Thousands)	2014 (In Thousands)
Components of net periodic benefit cost:		
Interest cost	$ -	$ 1,477
Expected return on plan assets	-	(222)
Recognized net actuarial loss	-	584
Settlements	-	12,712
	$ -	$ 14,551

The following weighted-average assumptions were used to determine the Plan's benefit obligation at October 31:

	2015	2014
Discount rate	0%	5.10%
Long-term rate of return on plan assets	0%	1.00%

The following weighted-average assumptions were used to determine the Plan's net periodic cost for the year ended October 31:

	2015	2014
Discount rate	0%	0%
Rate of compensation increase	0%	0%

Plan assets – The Plan's weighted-average asset allocations at October 31 by asset category are as follows:

	2015	2014
Asset Category		
Money Market	N/A	100.00%

Plan assets are summarized according to the ASC 820 hierarchy as follows:

	2015 (In Thousands)			
	Fair Value	Level 1	Level 2	Level 3
Money Market	$ -	$ -	$ -	$ -
Total available for sale - investments	$ -	$ -	$ -	$ -

	2014 (In Thousands)			
	Fair Value	Level 1	Level 2	Level 3
Money Market	$ 213	$ 213	$ -	$ -
Total available for sale - investments	$ 213	$ 213	$ -	$ -

Contributions – There were no contributions made to the terminated pension plan during the fiscal year ended October 31, 2015. During the fiscal year ended October 31, 2014, Masonic Homes contributed $13,693,000 to its pension plan. The amount consisted of $11,686,000 related to the pension plan termination and $2,007,000 related to pension plan quarterly required contribution.

Defined contribution plan – The California Masonic Retirement Plan II ("Retirement Plan"), a defined contribution plan sponsored by the Grand Lodge, was effective on April 1, 2007. Masonic Homes, Acacia Creek – UC, the Grand Lodge, and the Temple participate in the Retirement Plan that covers all employees who meet certain age and service requirements. The Retirement Plan provides for both an employer contribution and an employer match of employee contributions. The total employer contributions and matches made by the Masonic Homes and Acacia Creek – UC to the plan were $1,189,000 and $1,050,000 for the years ended October 31, 2015 and 2014, respectively.

NOTE 10 – RELATED-PARTY TRANSACTIONS

The Grand Lodge provides general and administrative support to Masonic Homes, for which the Grand Lodge is reimbursed through an allocation of certain expenses. The allocations to the Masonic Homes were $7,066,000 and $6,856,000 for the years ended October 31, 2015 and 2014, respectively.

NOTE 11 – CONTINGENCIES AND COMMITMENTS

The Organization can potentially be a party to various claims and legal actions in the normal course of business. In the opinion of management, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the financial position of the Organization.

The health care 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, matters such as licensure, accreditations, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions known or unasserted at this time.

NOTE 12 – SUPPLEMENTAL CASH-FLOW INFORMATION

Noncash operating transactions include net changes in unfunded pension obligation of $0 and $(6,000,269) for the years ended October 31, 2015 and 2014, respectively.

NOTE 13 – LONG-TERM DEBT

Long-term debt at October 31, 2015 and 2014, consisted of the following:

	2015 (In Thousands)	2014 (In Thousands)
Association of Bay Area Government Bonds, Series 2013A, variable rate equal to one month LIBOR plus 60 basis points, annual payments beginning November 1, 2016 continuing to July 1, 2038.	$ 99,423	$ 99,423
Bank of America Public Capital Corporation loan, variable rate equal to one month LIBOR plus 75 basis points, annual payments beginning November 1, 2016 continuing to November 1, 2038.	4,840	4,840
Total	$ 104,263	$ 104,263

Non-taxable Variable Rate Revenue Bonds – Acacia Creek – UC issued $99,423,000 in Variable Rate Revenue Bonds, Series 2013A on October 29, 2013. The bonds were issued through the Association of Bay Area Governments ("ABAG") and have a maturity date of July 1, 2038. The bonds were privately placed with Bank of America Public Capital Corporation ("BAPCC"). The Masonic Homes is the guarantor of all obligations of Acacia Creek – UC under the agreement.

The proceeds of the bonds were used to retire the Acacia Creek – UC Variable Rate Revenue Bonds, Series 2008A issued on January 30, 2008, in the amount of $93,625,000 and to fund the termination cost related to the Morgan Stanley Swap dated December 20, 2007, in the amount of $5,491,000. The balance of the proceeds in the amount of $307,000 was used to fund certain issuance costs related to the Series 2013A Variable Rate Revenue Bonds. Other issuance costs related to the 2013A bonds in the amount of $33,000 were paid directly by Acacia Creek – UC. Total issuance costs therefore related to the 2013A bonds were $340,000.

The bonds carry an interest rate equal to 67% of one month LIBOR plus 60 basis points reset on the first business day of every month. The interest is effective through October 29, 2018, at which time the interest rate will be re-negotiated with BAPCC or the loan will be retired.

Taxable Variable Rate Loan – Acacia Creek – UC entered into a 5-year Taxable Variable Rate Loan through BAPCC on October 29, 2013, in the amount of $4,840,000. The maturity date of the loan is November 1, 2038. The Masonic Homes is the guarantor of all obligations of Acacia Creek – UC under the agreement.

The proceeds of the loan were used to fund the termination cost related to the Bank of America swap dated May 25, 2011, in the amount of $4,840,000. Issuance cost related to the loan was $30,003 and was paid directly by Acacia Creek – UC.

The loan carries an interest rate equal to one month LIBOR plus 75 basis points reset on the first business day of every month. The interest is effective through October 29, 2018, at which time the interest rate will be re-negotiated with BAPCC or the loan will be retired.

Future Minimum Payment Schedule – Total annual maturities of long-term debt as of October 31, 2015, are as follows (In Thousands):

2016	$	-
2017		3,033
2018		3,144
2019		3,250
2020		3,356
Thereafter		91,480
	$	104,263

Interest paid for the years ended October 31, 2015 and 2014 on long-term debt was $774,000 and $754,000, respectively.

NOTE 14 – UPMIFA DISCLOSURES

Board interpretation of law

Interpretation of Relevant Law UPMIFA enacted by California, FMV preservation – The Board of Trustees of the Masonic Homes has interpreted the California Prudent Management of Institutional Funds Act ("CPMIFA") 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 Masonic Homes 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 unrestricted or temporarily restricted net assets until those amounts are appropriated for expenditure by the Masonic Homes in a manner consistent with the standard of prudence prescribed by CPMIFA. In accordance with CPMIFA, the Masonic Homes considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund

b. The purposes of the Masonic Homes and the donor-restricted endowment fund

c. General economic conditions

d. The possible effect of inflation and deflation

e. The expected total return from income and the appreciation of investments

f. Other resources of the Masonic Homes

g. The investment policies of the Masonic Homes

Spending policy, investing policy, and strategy

Return objectives and risk parameters – Masonic Homes has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Masonic Homes must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various market benchmarks appropriate to the investment classes utilized while assuming a moderate level of investment risk. The Masonic Homes expects its endowment funds, over time, to provide an average rate of return of approximately 6.5% - 7.0% annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, Masonic Homes relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Masonic Homes targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy – For 2014/2015, Masonic Homes had a past policy of appropriating for distribution 4.25% - 5.00% of its endowment fund's average fair value over the prior twenty quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Masonic Homes considered the long-term expected return on its endowment. Accordingly, over the long term, the Masonic Homes expects the current spending policy to allow its endowment to grow at an average of 2.00% annually. This is consistent with the Masonic Homes' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Endowments by net asset class, in total and by fund

	2015 (In Thousands)			2014 (In Thousands)		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ -	$ 13,411	$ 148,424	$ -	$ 14,065	$ 148,102
Board-designated endowment funds	218,307	-	-	233,889	-	-
Total endowment funds	$ 218,307	$ 13,411	$ 148,424	$ 233,889	$ 14,065	$ 148,102

Reconcile beginning and ending balance by net asset class

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		(In Thousands)		
Endowment net assets, October 31, 2014	$ 233,889	$ 14,065	$ 148,102	$ 396,056
Investment return:				
Realized gains (loss)	15,256	362	-	15,618
Investment Income	7,654	165	-	7,819
Unrealized gains (loss)	(22,245)	(783)	-	(23,028)
Total Investment Return	665	(256)	-	409
Contributions	-	2,160	322	2,482
Release from restrictions	266	(2,558)	-	(2,292)
Release/transfer to general fund and/or operation	(14,801)	-	-	(14,801)
Expenses	(1,712)	-	-	(1,712)
Endowment net assets, October 31, 2015	$ 218,307	$ 13,411	$ 148,424	$ 380,142

Nature and types of restrictions

Endowment – Masonic Homes' endowment consists of approximately 16 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only):

Permanently Restricted Net Assets	2015 (In Thousands)	2014 (In Thousands)
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	$ 148,424	$ 148,102
Total endowment funds classified as permanently restricted net assets	$ 148,424	$ 148,102
Temporarily Restricted Net Assets		
Term endowment funds	$ 13,411	$ 14,065
Total endowment funds classified as temporarily restricted net assets	$ 13,411	$ 14,065

Aggregate amount of deficiencies for donor-restricted endowments

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 requires the Masonic Homes to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, there was no deficiency of this nature that was reported in unrestricted net assets as of October 31, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations of permanently restricted contributions and continued appropriations for certain programs deemed prudent by the Board of Trustees.

NOTE 15 – SUBSEQUENT EVENTS

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

The Organization has evaluated subsequent events through February 19, 2016, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
Year Ended October 31, 2015
(With Summarized Comparative Information as of October 31, 2014)
(In Thousands)

	Unrestricted				Temporary Restricted	Permanently Restricted		
	Acacia Creek — Union City	Masonic Homes	Elimination/ Reclass	Total	Masonic Homes	Masonic Homes	2015 Consolidated	2014 Comparative Totals Only
Assets								
Current assets								
Cash and cash equivalents - unrestricted	$ 434	$ 8,842	$ -	$ 9,276	$ -	$ -	$ 9,276	$ 28,634
Funds held for residents	-	454	-	454	-	-	454	504
Receivables, net	-	935	-	935	-	-	935	1,353
Notes receivable - related party	-	10,000	(10,000)	-	-	-	-	-
Prepaid expenses and other assets	90	836	-	926	-	-	926	1,637
Related entities receivable	-	3,718	(3,718)	-	-	-	-	971
Assets held for sale	-	1,756	-	1,756	-	-	1,756	1,207
Total current assets	524	26,541	(13,718)	13,347	-	-	13,347	34,306
Investments, at fair value	22,549	666,611	-	689,160	1,384	150,532	841,076	845,596
Property and equipment, net	78,770	73,704	-	152,474	-	-	152,474	154,568
Assets held in trusts	-	-	-	-	13,060	32	13,092	13,506
Funds held for residents	500	-	-	500	-	-	500	878
Other assets	396	3,069	(2,430)	1,035	-	-	1,035	1,003
Total assets	$ 102,739	$ 769,925	$ (16,148)	$ 856,516	$ 14,444	$ 150,564	$ 1,021,524	$ 1,049,857
Liabilities and net assets								
Current liabilities								
Accounts payable and accrued liabilities	$ 624	$ 2,345	$ -	$ 2,969	$ -	$ -	$ 2,969	$ 2,608
Accrued payroll and benefits payable	30	2,379	-	2,409	-	-	2,409	1,817
Note payable - related party	10,000	-	(10,000)	-	-	-	-	-
Related entities payable	4,093	-	(3,718)	375	-	-	375	-
Total current liabilities	14,747	4,724	(13,718)	5,753	-	-	5,753	4,425
Liability to beneficiaries of split-interest agreements	-	-	-	-	1,033	2,140	3,173	3,312
Long term debt	104,263	-	-	104,263	-	-	104,263	104,263
Liability for funds held for residents, net	500	-	-	500	-	-	500	878
Refundable advance fees	33,060	-	-	33,060	-	-	33,060	28,896
Deferred revenue	7,317	16,886	(2,430)	21,773	-	-	21,773	21,724
Total liabilities	159,887	21,610	(16,148)	165,349	1,033	2,140	168,522	163,498
Net assets	(57,148)	748,315	-	691,167	13,411	148,424	853,002	886,359
Total liabilities and net assets	$ 102,739	$ 769,925	$ (16,148)	$ 856,516	$ 14,444	$ 150,564	$ 1,021,524	$ 1,049,857

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended October 31, 2015
(With Summarized Comparative Information for the Year Ended October 31, 2014)
(In Thousands)

	Unrestricted				Temporary Restricted	Permanently Restricted		
	Acacia Creek — Union City	Masonic Homes	Elimination/ Reclass	Total	Masonic Homes	Masonic Homes	2015 Consolidated	2014 Comparative Totals Only
Public Support and Revenue								
Contributions	$ -	$ 37	$ -	$ 37	$ 512	$ 42	$ 591	$ 500
Bequests and memorials	-	4,375	-	4,375	1,648	280	6,303	3,765
Amortization of deferred revenue	655	2,146	-	2,801	-	-	2,801	2,795
Amount received from pensions assigned by resident	-	5,046	-	5,046	-	-	5,046	5,028
Investment income	182	13,492	-	13,674	164	-	13,838	17,906
Net realized gain on investments	610	36,450	-	37,060	362	-	37,422	39,091
Fee for Service	5,493	1,645	-	7,138	-	-	7,138	6,073
Health Service Revenue	-	5,090	(136)	4,954	-	-	4,954	5,130
Royalty and other income	513	2,920	-	3,433	-	-	3,433	4,663
Change in value of split-interest agreements	-	-	-	-	(316)	-	(316)	657
Net assets released from restriction	-	2,558	-	2,558	(2,558)	-	-	-
Total public support and revenue	7,453	73,759	(136)	81,076	(188)	322	81,210	85,608
Expenses								
Program								
Operation of Acacia Creek — UC and Masonic Homes	7,960	36,437	-	44,397	-	-	44,397	42,807
Masonic outreach services	-	9,099	-	9,099	-	-	9,099	8,126
Program development	-	643	-	643	-	-	643	184
Scholarship and other program	-	263	-	263	-	-	263	193
Total program expenses	7,960	46,442	-	54,402	-	-	54,402	51,310
Supporting services								
Marketing	816	-	(136)	680	-	-	680	809
Fundraising	-	906	-	906	-	-	906	892
Administration	848	5,092	-	5,940	-	-	5,940	5,740
Total supporting services expenses	1,664	5,998	(136)	7,526	-	-	7,526	7,441
Total expenses	9,624	52,440	(136)	61,928	-	-	61,928	58,751
Excess (deficit) of revenues over expenses before other items	(2,171)	21,319	-	19,148	(188)	322	19,282	26,857
Intercompany interest income (expense)	(523)	523	-	-	-	-	-	-
Interest expense	(774)	-		(774)			(774)	(754)
Net unrealized loss on investments	(565)	(50,798)	-	(51,363)	(466)	-	(51,829)	(564)
Excess (deficit) of expenses over revenue before other changes in net assets	(4,033)	(28,956)	-	(32,989)	(654)	322	(33,321)	25,539
Change in unfunded pension obligation - net	-	-	-	-	-	-	-	4,879
Net effect of pension plan termination	-	(36)	-	(36)	-	-	(36)	(8,497)
Change in net assets	(4,033)	(28,992)	-	(33,025)	(654)	322	(33,357)	21,921
Net assets, beginning of year	(53,115)	777,307	-	724,192	14,065	148,102	886,359	864,438
Net assets, end of year	$ (57,148)	$ 748,315	$ -	$ 691,167	$ 13,411	$ 148,424	$ 853,002	$ 886,359

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF CASH FLOWS
Year Ended October 31, 2015
(With Summarized Comparative Information for the Year Ended October 31, 2014)
(In Thousands)

	2015			2014
	Acacia Creek — Union City	Masonic Homes	Total	Comparative
Cash flows from operating activities				Total Only
Contributions and bequests received	$ -	$ 6,984	$ 6,984	$ 3,053
Net proceeds from assigned assets	6,229	1,327	7,556	12,193
Amounts received from assigned assets	-	5,046	5,046	5,028
Investment income received	182	13,656	13,838	17,906
Interest income (expense) from related party	(523)	523	-	-
Fee for service	5,493	1,645	7,138	6,073
Royalty and other income	513	6,882	7,395	8,192
Cash paid for operating expenses	(6,817)	(45,024)	(51,841)	(55,517)
Cash paid for pension termination				(9,891)
Net cash provided by (used in) operating activities	5,077	(8,961)	(3,884)	(12,963)
Cash flows from investing activities				
Net proceeds from sales of investments	7,713	123,390	131,103	89,446
Purchase of investments	(11,489)	(129,503)	(140,992)	(50,918)
Purchase of equipment/construction	(1,614)	(4,290)	(5,904)	(3,137)
Change in assets limited as to use	-	-	-	270
Net cash provided by (used in) investing activities	(5,390)	(10,403)	(15,793)	35,661
Cash flows from financing activities				
Deposits refunded to residents	(377)	-	(377)	-
Contribution restricted for long term investments	-	322	322	539
Funds held for residents	377	51	428	201
Changes in other assets	(47)	-	(47)	(4)
Net cash provided by (used in) financing activities	(47)	373	326	736
Net increase (decrease) in cash	(360)	(18,991)	(19,351)	23,434
Cash and cash equivalents, beginning of year	797	27,837	28,634	5,200
Cash and cash equivalents, end of year	$ 437	$ 8,846	$ 9,283	$ 28,634

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF CASH FLOWS (CONTINUED)
Year Ended October 31, 2015
(With Summarized Comparative Information for the Year Ended October 31, 2014)
(In Thousands)

	2015			2014
	Acacia Creek — Union City	Masonic Homes	Total	Comparative Total Only
Reconciliation of increase (decrease) in net assets to net cash provided by (used in) operating activities				
Change in net assets	$ (4,033)	$ (29,324)	$ (33,357)	$ 21,921
Adjustment to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities				
Depreciation and amortization of bond issuance costs	2,689	5,284	7,973	8,344
Amortization of deferred revenue	-	(2,801)	(2,801)	(2,795)
Realized and unrealized gain (loss) on investments	(45)	14,452	14,407	(38,527)
Contribution restricted for long term investments	-	(322)	(322)	(539)
Change in unfunded pension obligation	-	-	-	(6,000)
Changes in assets and liabilities				
Receivables, net	7	411	418	(660)
Prepaid expenses and other assets	139	613	752	(613)
Related entities receivable and payable	649	697	1,346	(286)
Assets held for sale	-	(550)	(550)	3,869
Assets held in trust	-	414	414	(125)
Accounts payable and accrued liabilities	104	857	961	(3,729)
Liability to beneficiaries of split interest agreements	-	(139)	(139)	(292)
Deferred revenue from assigned assets, net	5,567	1,447	7,014	6,469
Net cash provided by (used in) operating activities	$ 5,077	$ (8,961)	$ (3,884)	$ (12,963)

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE OF PROGRAM EXPENSES (UNAUDITED)
Years Ended October 31, 2015 and 2014
(In Thousands)

	2015	2014
Salaries and wages	$ 17,257	$ 15,859
Resident care and services	6,522	6,344
Employee benefits	6,235	5,785
Depreciation	5,284	5,382
Grants	4,021	3,954
Utilities	1,353	1,367
Professional fees	1,243	769
Insurance	1,086	1,147
Operating services	776	617
Facilities and maintenance services	747	666
Scholarship	263	193
Taxes	261	232
Travel expenses	248	279
Shared service allocation	158	177
Employment expense and education	184	188
Operating supplies	179	144
Miscellaneous and other expenses	145	154
Facility expenses	139	133
Maintenance supplies	130	101
Dues and licenses	113	112
Vehicle expenses	98	100
Masonic Homes total program expenses	46,442	43,703
Operation of Acacia Creek - UC	7,960	7,607
Total program operations	$ 54,402	$ 51,310

MASONIC HOMES OF CALIFORNIA AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE OF SUPPORTING SERVICES EXPENSES (UNAUDITED)
Years Ended October 31, 2015 and 2014
(In Thousands)

	2015	2014
Shared service allocation	$ 5,030	$ 4,902
Fund raising and development — shared service allocation	906	892
Masonic Homes general and administrative expenses	5,936	5,794
Acacia Creek — UC general, administrative, and marketing expenses	1,528	1,647
Total general, administrative, and marketing expenses	$ 7,464	$ 7,441

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ACACIA CREEK, A SENIOR LIVING COMMUNITY

CONTINUING CARE RESERVE REPORT

PART 5

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Acacia Creek, a Senior Living Community

Report on the Financial Statements

We have audited the accompanying financial statements of Acacia Creek, a Senior Living Community, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended October 31, 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 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 continuing care reserves of Acacia Creek, a Senior Living Community as of and for the year ended October 31, 2015, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by Acacia Creek, a Senior Living Community 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 supplementary schedules of Form 5-4, reconciliation, Additional disclosures, Disclosure statement, and notes to reserve reports, 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 financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements, 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 Acacia Creek, a Senior Living Community and for filing with the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

San Francisco, California
February 19, 2016

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	10/29/13	(see note ****)	$774,379	$0	$774,379
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
		TOTAL:	$774,379	$0	$774,379

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

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

**** On October 29, 2013, Acacia Creek-UC issued $99,423,319 in Variable Rate Revenue Bonds Series 2013A. The bonds were issued through the ABAG and have a maturity date of July 1, 2038. The proceeds from the Variable Rate Revenue Bond Series 2013A were used to (a) retire/settle the Variable Rate Revenue Bonds Series 2008A in the amount of $93,625,000; (b) fund the termination cost related to the Morgan Stanley Swap in the amount of $5,491,000; and (c) fund certain issuance costs related to the Series 2013 Variable Rate Revenue Bonds in the amount of $307,319.

Likewise, Acacia Creek-UC entered into a 5-year Taxable Variable Rate loan through BAPCC on October 29, 2013, in the amount of $4,840,000. The maturity date of the loan is on November 1, 2038. The proceeds of the loan were used to fund the termination cost related to the Bank of America swap in the amount of $4,840,000.

PROVIDER: Acacia Creek, a Senior Living Community

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

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

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

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

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

Line		TOTAL
[1]	Total from Form 5-1 bottom of Column (e)	$774,379
[2]	Total from Form 5-2 bottom of Column (e)	$0
[3]	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	$0
[4]	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$774,379

PROVIDER: Acacia Creek, a Senior Living Community

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
[1]	Total operating expenses from financial statements		$9,622,794
[2]	Deductions:		
[a]	Interest paid on long-term debt (see instructions)	$774,379	
[b]	Credit enhancement premiums paid for long-term debt (see instructions)	$0	
[c]	Depreciation	$2,689,053	
[d]	Amortization	$0	
[e]	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$1,467,819	
[f]	Extraordinary expenses approved by the Department	$0	
[3]	Total Deductions		$4,931,251
[4]	Net Operating Expenses		$4,691,543
[5]	Divide Line 4 by 365 and enter the result.		$12,854
[6]	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$964,016

PROVIDER: Acacia Creek, a Senior Living Community
COMMUNITY: Union City

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Acacia Creek, a Senior Living Community
Fiscal Year Ended: 10/31/2015

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 10/31/2015 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	$774,379
[2]	Operating Expense Reserve Amount	$962,504
[3]	**Total Liquid Reserve Amount:**	$1,736,883

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

	Qualifying Asset Description	Amount (Market Value at End of Quarter) Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents	$0		$433,665
[5]	Investment Securities	$13,822,989		$8,725,869
[6]	Equity Securities	$0		$0
[7]	Unused/Available Lines of Credit	$0		$0
[8]	Unused/Available Letters of Credit	$0		$0
[9]	Debt Service Reserve	$0		(not applicable)
[10]	Other:	$0		$0
	(describe qualifying asset)			
	Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	$13,822,989	[12]	$9,159,534
	Reserve Obligation Amount: [13]	$774,379	[14]	$962,504
	Surplus/(Deficiency): [15]	$13,048,610	[16]	$8,197,030

Signature:

Thomas J. Boger
(Authorized Representative)

Date: 2/19/16

Chief Financial Officer
(Title)

SUPPLEMENTARY SCHEDULES

Non CCRC revenue

Fee for service (non CCRC revenue) - Form 5-4 line 2e	$	1,467,819
Monthly fees (CCRC revenue)		4,024,736
Fee for service per audited financials	$	5,492,555

Additional Disclosures - H & SC Sections 1790(a)(2) and (3) - Reserves

Operating Reserves - Form 5-5, line 4	$	433,665
Debt Service Reserve Amount	$	774,379
The following identified reserves at BNY Mellon General Fund	$	22,548,858
Acacia Creek census as of 10.31.14		194
Acacia Creek net operating expenses	$	4,691,543
Per capita costs of operation for Acacia Creek	$	24,183

		October 31, 2013	October 31, 2014	October 31, 2015
Income from Ongoing Operations:				
[a] CCRC Monthly Fees		$ 2,399,556	$ 3,289,433	$ 4,024,736
[b] Fee for Service		1,399,702	1,542,678	1,467,819
[c] Other Income		350,908	528,468	513,090
Total Income from Ongoing Operations		**$ 4,150,166**	**$ 5,360,579**	**$ 6,005,645**
Less Operating Expenses:		8,868,467	9,253,828	9,622,794
Excluding Depreciation		(3,015,561)	(2,962,298)	(2,689,053)
		5,852,906	**6,291,530**	**6,933,741**
Net Loss from Operations		**$ (1,702,740)**	**$ (930,951)**	**$ (928,096)**
Less Interest Expense		$ 3,289,424	$ 753,651	$ 774,379
Plus Non-Operating Income:				
Investment Income, Unrestricted		$ 211,549	$ 244,429	$ 182,254
Gain/Loss on Sale of Investments, Unrestricted		505,180	439,301	610,379
Unrealized Gain/Loss		960,177	169,309	(565,305)
Total Non-Operating Income		**1,676,906**	**853,039**	**227,328**
Net Income Before Fees, Depreciation and Amortization		**$ (3,315,258)**	**$ (831,563)**	**$ (1,475,147)**
Net Cash Flow from Entrance Fees		**$ 8,566,000**	**$ 6,346,125**	**$ 5,567,263**
Long-Term Debt to Asset Ratio:				
Long-Term Debt	**A**	$ 104,263,000	$ 104,263,000	$ 104,263,000
Total Assets	**B**	$ 97,725,000	$ 100,809,318	$ 102,738,468
Long-Term Debt to Asset Ratio	**A/B**	1.07	1.03	1.01
Operating Ratio:				
Total Operating Expenses - Depreciation and Amortization	**C**	$ 5,852,906	$ 6,291,530	$ 6,933,741
Total Operating Revenue		4,150,166	5,360,579	6,005,645
Amortization of Deferred Revenue		427,000	556,239	654,727
	D	$ 4,577,166	$ 5,916,818	$ 6,660,372
Operating Ratio	**C/D**	1.28	1.06	1.04
Daily Cash on Hand:				
Unrestricted Current Cash		$ 1,279,063	$ 433,665	$ 433,665
Unrestricted Current Investment		13,170,761	22,548,858	22,548,858
Total	**G**	$ 14,449,824	$ 22,982,523	$ 22,982,523
Operating Expenses		$ 5,852,906	$ 6,291,530	$ 6,933,741
Divided by 365	**H**	$ 16,035	$ 17,237	$ 18,997
Daily Cash on Hand	**G/H**	$ 901	$ 1,333	$ 1,210

NOTE 1 – BASIS OF ACCOUNTING

The accompanying continuing care liquid reserve reports have been prepared in accordance with the provisions of Health and Safety Code Section 1792 administered by the State of California Department of Social Services and are not intended to be a complete presentation of Acacia Creek, a Senior Living Community's assets, liabilities, revenues, and expenses.

ACACIA CREEK, A SENIOR LIVING COMMUNITY

CONTINUING CARE CONTRACT ANNUAL REPORT

PART 6

Continuing Care Retirement Community
Disclosure Statement
General Information

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FACILITY NAME: Acacia Creek a Masonic Senior Living Community
ADDRESS: 34400 Mission Blvd Building A, Union City ZIP CODE: 94587 PHONE: 510-441-3700
PROVIDER NAME: Acacia Creek a Masonic Senior Li FACILITY OPERATOR: _____
RELATED FACILITIES: _____ RELIGIOUS AFFILIATION: _____
YEAR OPENED: 2010 NO. OF ACRES: ____ MULTI-STORY: ☑ SINGLE STORY: ☐ BOTH: ☐
MILES TO SHOPPING CTR: _____ MILES TO HOSPITAL: _____

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO		ASSISTED LIVING	
APARTMENTS – 1 BDRM	60	SKILLED NURSING	
APARTMENTS – 2 BDRM	90	SPECIAL CARE	
COTTAGES/HOUSES	2	DESCRIBE SPECIAL CARE:	
% OCCUPANCY AT YEAR END	85%		

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

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

REFUND PROVISIONS (Check all that apply): ☑ 90% ☐ 75% ☑ 50% ☑ PRORATED TO 0% ☑ OTHER: 100%

RANGE OF ENTRANCE FEES: $ 199,000 TO $ 785,400 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ Y ☑ N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 10 SNF + 10 SNF Free days or unlimited after Medicare stay

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: _____ OTHER: _____

FACILITY SERVICES AND AMENITIES

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

SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	4	x
NUMBER OF MEALS/DAY	1 or 3	x
SPECIAL DIETS AVAILABLE	yes	
24-HOUR EMERGENCY RESPONSE	☑	☐
ACTIVITIES PROGRAM	☑	☑
ALL UTILITIES EXCEPT PHONE	☐	☑
APARTMENT MAINTENANCE	☑	☑
CABLE TV	☑	☑
LINENS FURNISHED	☐	☐
LINENS LAUNDERED	☑	☑
MEDICATION MANAGEMENT	☐	☑
NURSING/WELLNESS CLINIC	☑	☑
PERSONAL NURSING/HOME CARE	☐	☐
TRANSPORTATION-PERSONAL	☑	☑
TRANSPORTATION-PREARRANGED	☑	☑
OTHER_____	☐	☐

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: _____

CCRCs	LOCATION (City, State)	PHONE (with area code)
Acacia Creek a Masonic Senior Living Community	Union City, CA	510-441-3700

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

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

PROVIDER NAME: **Acacia Creek, a Senior Living Community**

	2013	2014	2015
INCOME FROM ONGOING OPERATIONS			
OPERATING INCOME (excluding amortization of entrance fee income)	$ 4,150,166	$ 5,360,579	$ 6,005,645
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	$ 5,852,906	$ 6,291,530	$ 6,926,382
NET INCOME FROM OPERATIONS	$ (1,702,740)	$ (930,951)	$ (920,737)
LESS INTEREST EXPENSE	$ 3,289,424	$ 753,651	$ 774,379
PLUS CONTRIBUTIONS	$ -	$ -	$ -
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	$ 1,676,906	$ 853,039	$ 227,328
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$ (3,315,258)	$ (831,563)	$ (1,467,788)
NET CASH FLOW FROM ENTRANCE FEES) (Total Deposits Less Refunds	$ 8,566,293	$ 6,346,125	$ 5,567,263

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Bank of America N.A.	$ 99,423,319	Variable	10/29/2013	7/1/2038	25 years
Bank of America N.A.	$ 4,840,000	Variable	10/29/2013	11/1/2038	25 years

FINANCIAL RATIOS (see next page for ratio formulas)

	50 th Percentile (optional)	2013	2014	2015
DEBT TO ASSET RATIO		1.07	1.03	1.01
OPERATING RATIO		1.28	1.06	1.04
DEBT SERVICE COVERAGE RATIO		N/A	N/A	N/A
DAYS CASH-ON-HAND RATIO		901	1,333	1,210

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2013	2014	2015
STUDIO			
ONE BEDROOM	$ 2,703	$ 2,790	$ 2,902
TWO BEDROOM	$ 3,416	$ 3,420	$ 3,557
COTTAGE/HOUSE	$ 3,641	$ 3,960	$ 4,118
ASSISTED LIVING			
SKILLED NURSING			
SPECIAL CARE			

COMMENTS FROM PROVIDER

ACACIA CREEK, A SENIOR LIVING COMMUNITY

CONTINUING CARE CONTRACT ANNUAL REPORT

PART 7

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)**	Market Rate based on varying features of units	Market Rate based on varying features of units	Market Rate based on varying features of units
[2]	**Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)**	4%	n/a	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: 05/2015**
(If more than 1 increase was implemented, indicate the dates for each increase.)

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

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

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

☐ **At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.**

☐ **At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.**

☐ **The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increase.**

☐ **The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.**

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

PROVIDER NAME: Acacia Creek, a Senior Living Community

COMMUNITY NAME: Acacia Creek, a Senior Living Community