

RECEIVED  
FEB 02 2016  
CONTINUING CARE  
CONTRACTS BRANCH

**ANNUAL REPORT  
CHECKLIST**  
for  
**FISCAL YEAR ENDED:  
September 30, 2015**

**PROVIDER:** Aldersly

**FACILITY(IES):** Aldersly

**CONTACT PERSON:** JoAnne Maxwell

**TELEPHONE NO.:** (415) 453-7425      **EMAIL:** joannemaxwell@aldersly.com

✓    ✓    ✓    ✓    ✓    ✓    ✓    ✓    ✓    ✓    ✓

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

- ✓ This cover sheet.
- ✓ Annual Provider Fee in the amount of: \$5,530
  - ✓ If applicable, late fee in the amount of: \$ N/A
- ✓ Certification by the provider's chief *executive* officer that:
  - ✓ The reports are correct to the best of his/her knowledge.
  - ✓ Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - ✓ The provider is maintaining the required liquid reserve and refund reserve, if applicable.
- ✓ Evidence of the provider's fidelity bond.
- ✓ The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community (total of four (4) copies to be included).

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

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

| <u>Line</u>          | <b>Continuing Care Residents</b>  | <u>TOTAL</u> |
|----------------------|---|--------------|
| [1]                  | Number at beginning of fiscal year  | 75           |
| [2]                  | Number at end of fiscal year  | 70           |
| [3]                  | Total Lines 1 and 2   | 145          |
| [4]                  | Multiply Line 3 by ".50" and enter result on Line 5.  | x .50        |
| [5]                  | Mean number of continuing care residents  | 72.5         |
| <b>All Residents</b> |   |              |
| [6]                  | Number at beginning of fiscal year  | 101          |
| [7]                  | Number at end of fiscal year  | 94           |
| [8]                  | Total Lines 6 and 7   | 194          |
| [9]                  | Multiply Line 8 by ".50" and enter result on Line 10.   | x .50        |
| [10]                 | Mean number of <i>all</i> residents   | 97           |
| [11]                 | Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places). | 0.75         |

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

| <u>Line</u> |  | <u>TOTAL</u>      |
|-------------|--|-------------------|
| [1]         | Total Operating Expenses   | \$8,242,091       |
| [a]         | Depreciation   | \$608,276         |
| [b]         | Debt Service (Interest Only)   | \$234,553         |
| [2]         | Subtotal (add Line 1a and 1b)  | \$842,829         |
| [3]         | Subtract Line 2 from Line 1 and enter result.                                    | \$7,399,262       |
| [4]         | Percentage allocated to continuing care residents (Form 1-1, Line 11)            | 75%               |
| [5]         | Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4) | \$5,530,376       |
| [6]         | <b>Total Amount Due</b> (multiply Line 5 by .001)                                | x .001<br>\$5,530 |

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

# Aldersly

Est. 1921  
GARDEN RETIREMENT COMMUNITY

RECEIVED  
FEB 02 2016  
CONTINUING CARE  
CONTRACTS BRANCH

February 1, 2016

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

Enclosed are three copies of our Annual Report for the year ended September 30, 2015. At this time, I am certifying to the following with regard to the Annual Report for the year ended September 30, 2015:

1. The annual report is correct to the best of my knowledge.
2. Each continuing care contract form in use or offered to new residents has been approved by the California Department of Social Services.
3. As of September 30, 2015, we are maintaining the required liquid and refund reserves.

Currently our computers are down and we are unable to produce a check. As soon as our systems are working we will send you the \$5,530.00 check.

Please contact me if you need additional information.

Sincerely,

  
JoAnne Maxwell, RN  
Executive Director

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



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
6/28/2015

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

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

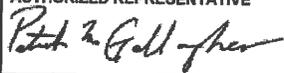
|  |  |  |                             |
|--|--|--|-----------------------------|
| <b>PRODUCER</b><br>Arthur J. Gallagher Risk Management Services, Inc.<br>300 South Riverside Plaza, Suite 1900<br>Chicago IL 60606 | <b>CONTACT NAME:</b><br>PHONE (A/C, No, Ext): 312-704-0100 |  | FAX (A/C, No): 312-803-7443 |
|  | <b>E-MAIL ADDRESS:</b>                                     |  |                             |
| <b>INSURED</b><br>LCSHOLD-03<br>Aldersly Garden Retirement Community, Inc.<br>326 Mission Ave.<br>San Rafael, CA 94901             | <b>INSURER(S) AFFORDING COVERAGE</b>                       |  | <b>NAIC #</b>               |
|  | <b>INSURER A :</b> Lexington Insurance Company             |  | 19437                       |
|  | <b>INSURER B :</b> Zurich American Insurance Company       |  | 16535                       |
|  | <b>INSURER C :</b>   |  |                             |
|  | <b>INSURER D :</b>   |  |                             |
|  | <b>INSURER E :</b>   |  |                             |

**COVERAGES**      **CERTIFICATE NUMBER:** 1149957887      **REVISION NUMBER:**

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

| INSR LTR | TYPE OF INSURANCE   | ADDL INSD | SUBR WVD | POLICY NUMBER  | POLICY EFF (MM/DD/YYYY) | POLICY EXP (MM/DD/YYYY) | LIMITS  |
|----------|---|-----------|----------|----------------|-------------------------|-------------------------|---|
| A        | <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY<br><input checked="" type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR<br><input checked="" type="checkbox"/> Policy Agg:<br><input checked="" type="checkbox"/> \$27,500,000<br>GENL AGGREGATE LIMIT APPLIES PER:<br><input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC<br>OTHER: |           |          | 6710008        | 6/30/2015               | 6/30/2016               | EACH OCCURRENCE \$1,000,000<br>DAMAGE TO RENTED PREMISES (Ea occurrence) \$50,000<br>MED EXP (Any one person) \$10,000<br>PERSONAL & ADV INJURY \$1,000,000<br>GENERAL AGGREGATE \$3,000,000<br>PRODUCTS - COM/OP AGG \$3,000,000<br>\$ |
| B        | <b>AUTOMOBILE LIABILITY</b><br><input checked="" type="checkbox"/> ANY AUTO<br>ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS<br><input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS<br><input checked="" type="checkbox"/> CompDed:\$500 <input checked="" type="checkbox"/> CallDed:\$500   |           |          | BAP 4503108-06 | 6/30/2015               | 6/30/2016               | COMBINED SINGLE LIMIT (Ea accident) \$1,000,000<br>BODILY INJURY (Per person) \$<br>BODILY INJURY (Per accident) \$<br>PROPERTY DAMAGE (Per accident) \$<br>\$  |
| A        | <input checked="" type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR<br><input checked="" type="checkbox"/> EXCESS LIAB <input checked="" type="checkbox"/> CLAIMS-MADE<br><input checked="" type="checkbox"/> DED <input checked="" type="checkbox"/> RETENTION \$25,000   |           |          | 6710009        | 6/30/2015               | 6/30/2016               | EACH OCCURRENCE \$10,000,000<br>AGGREGATE \$50,000,000<br>Facility Agg \$10,000,000   |
| B        | <b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b><br>ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)<br>If yes, describe under DESCRIPTION OF OPERATIONS below   | Y/N       | N/A      | WC 4503170-06  | 6/30/2015               | 6/30/2016               | <input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER<br>E.L. EACH ACCIDENT \$500,000<br>E.L. DISEASE - EA EMPLOYEE \$500,000<br>E.L. DISEASE - POLICY LIMIT \$500,000  |
| A        | Employee Benefits Liab.   |           |          | 6710008        | 6/30/2015               | 6/30/2016               | Aggregate Occurrence \$1,000,000<br>\$3,000,000<br>\$1,000,000  |
| A        | Medical Prof. Liability   |           |          | 6710041        | 6/30/2015               | 6/30/2016               |   |

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)  
RE: Crime policy #011744004. Limit \$5,000,000. Deductible \$10,000

|  |  |
|--|--|
| <b>CERTIFICATE HOLDER</b><br><br>Aldersly Garden Retirement Community<br>326 Mission Avenue<br>San Rafael CA 94901 USA | <b>CANCELLATION</b><br><br>SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.<br><br>AUTHORIZED REPRESENTATIVE<br> |
|--|--|

RECEIVED  
FEB 02 2016

CONTINUING CARE  
CONTRACTS BRANCH

Aldersly and Subsidiary  
CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

September 30, 2015 and 2014

## CONTENTS

|  | Page |
|--|------|
| INDEPENDENT AUDITORS' REPORT                   | 3    |
| CONSOLIDATED FINANCIAL STATEMENTS              |      |
| CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  | 5    |
| CONSOLIDATED STATEMENTS OF ACTIVITIES          | 6    |
| CONSOLIDATED STATEMENTS OF CASH FLOWS          | 7    |
| NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | 8    |
| SUPPLEMENTAL INFORMATION                       |      |
| SCHEDULES OF GENERAL OPERATING EXPENSES        | 25   |
| SCHEDULES OF MARKETING EXPENSES                | 27   |
| SCHEDULES OF ADMINISTRATIVE EXPENSES           | 28   |

RECEIVED  
FEB 02 2016  
CONTINUING CARE  
CONTRACTS BRANCH

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Aldersly

We have audited the accompanying consolidated financial statements of Aldersly (a California not-for-profit organization) and Subsidiary, which comprise the consolidated statements of financial position as of September 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aldersly and Subsidiary as of September 30, 2015 and 2014, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (continued)

**Report on Supplemental Information**

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

*DZH Phillips LLP*

San Francisco, California  
January 29, 2016

Aldersly and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2015 and 2014

| <b>ASSETS</b>   |                      |                      |
|---|----------------------|----------------------|
|   | 2015                 | 2014                 |
| <b>Current assets</b>   |                      |                      |
| Cash and cash equivalents   | \$ 684,605           | \$ 815,465           |
| Investments in marketable securities (Note B)   | 14,449,229           | 14,204,108           |
| Accounts receivable - residents - net (Note C)  | 140,083              | 252,014              |
| Bequest receivable  | -                    | 800,000              |
| Investment in residential real estate (Note D)  | 705,000              | -                    |
| Accounts receivable - other   | -                    | 23,289               |
| Interest and dividends receivable   | 4,108                | 1,334                |
| Prepaid expenses  | 362,491              | 269,874              |
| <b>Total current assets</b>   | <b>16,345,516</b>    | <b>16,366,084</b>    |
| Property, buildings and equipment - net (Note E)  | 10,020,867           | 10,199,197           |
| Assets whose use is limited or restricted (Note F)  | 2,276,431            | 727,873              |
| <b>Other noncurrent assets</b>  |                      |                      |
| Long-term investments (Note B)  | 5,461,252            | 5,242,133            |
| Deferred financing costs, net of accumulated amortization<br>of \$9,253 in 2015 and \$389,561 in 2014 | 337,726              | 531,262              |
| Other   | 5,582                | 5,582                |
|   | 5,804,560            | 5,778,977            |
| <b>Total assets</b>   | <b>\$ 34,447,374</b> | <b>\$ 33,072,131</b> |
| <b>LIABILITIES AND NET ASSETS</b>   |                      |                      |
| <b>Current liabilities</b>  |                      |                      |
| Accounts payable and accrued expenses   | \$ 300,025           | \$ 153,396           |
| Accrued salaries and wages  | 251,953              | 242,482              |
| Deposits received   | 185,387              | 198,991              |
| Unearned vendor credit - current portion (Note N)   | 20,304               | 20,304               |
| Current maturities of long-term debt (Note G)   | 155,000              | 218,930              |
| <b>Total current liabilities</b>  | <b>912,669</b>       | <b>834,103</b>       |
| <b>Long-term liabilities</b>  |                      |                      |
| Unearned entrance fees - refundable (Note H)  | 1,356,437            | 2,685,072            |
| Unearned entrance fees - non-refundable (Note H)  | 3,411,458            | 2,281,192            |
| Guaranteed refunds (Note H)   | 2,386,805            | 1,972,865            |
| Unearned vendor credit (Note N)   | 52,619               | 72,923               |
| Long-term debt (Note G)   | 6,480,000            | 5,374,830            |
| Premium paid on bond, net of accumulated amortization<br>of \$20,408 in 2015 and \$0 in 2014          | 654,467              | -                    |
|   | 14,341,786           | 12,386,882           |
| <b>Total liabilities</b>  | <b>15,254,455</b>    | <b>13,220,985</b>    |
| COMMITMENTS AND CONTINGENCIES (Note O)  | -                    | -                    |
| <b>NET ASSETS</b>   |                      |                      |
| Unrestricted and unappropriated   | 12,467,767           | 13,331,668           |
| Unrestricted - board designated (Note I)  | 6,644,727            | 6,439,053            |
| Temporarily restricted (Note J)   | 80,425               | 80,425               |
|   | 19,192,919           | 19,851,146           |
| <b>Total liabilities and net assets</b>   | <b>\$ 34,447,374</b> | <b>\$ 33,072,131</b> |

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

Aldersly and Subsidiary

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended September 30, 2015 and 2014

|   | 2015                 |                        |                      | 2014                 |                        |                      |
|---|----------------------|------------------------|----------------------|----------------------|------------------------|----------------------|
|   | Unrestricted         | Temporarily Restricted | Total                | Unrestricted         | Temporarily Restricted | Total                |
| <b>Revenues</b>                                       |                      |                        |                      |                      |                        |                      |
| Residential care fees                                 | \$ 2,719,279         | \$ -                   | \$ 2,719,279         | \$ 2,711,685         | \$ -                   | \$ 2,711,685         |
| Health care center fees                               | 2,495,076            | -                      | 2,495,076            | 2,449,351            | -                      | 2,449,351            |
| Assisted living fees                                  | 1,877,803            | -                      | 1,877,803            | 1,838,380            | -                      | 1,838,380            |
| Other resident services                               | 19,836               | -                      | 19,836               | 18,868               | -                      | 18,868               |
|   | <u>7,111,994</u>     | <u>-</u>               | <u>7,111,994</u>     | <u>7,018,284</u>     | <u>-</u>               | <u>7,018,284</u>     |
| Other operating revenue                               |                      |                        |                      |                      |                        |                      |
| Entrance fees amortization                            | 1,025,414            | -                      | 1,025,414            | 885,508              | -                      | 885,508              |
| <b>Total revenues</b>                                 | <b>8,137,408</b>     | <b>-</b>               | <b>8,137,408</b>     | <b>7,903,792</b>     | <b>-</b>               | <b>7,903,792</b>     |
| <b>Expenses</b>                                       |                      |                        |                      |                      |                        |                      |
| General operating expenses                            | 5,433,779            | -                      | 5,433,779            | 5,094,908            | -                      | 5,094,908            |
| Marketing expenses                                    | 180,514              | -                      | 180,514              | 198,091              | -                      | 198,091              |
| Administrative expenses                               | 1,637,162            | -                      | 1,637,162            | 1,561,537            | -                      | 1,561,537            |
|   | <u>7,251,455</u>     | <u>-</u>               | <u>7,251,455</u>     | <u>6,854,536</u>     | <u>-</u>               | <u>6,854,536</u>     |
| Other operating expenses                              |                      |                        |                      |                      |                        |                      |
| Depreciation and amortization                         | 633,976              | -                      | 633,976              | 629,057              | -                      | 629,057              |
| Interest  | 234,553              | -                      | 234,553              | 292,407              | -                      | 292,407              |
| Miscellaneous expense                                 | 122,107              | -                      | 122,107              | 98,980               | -                      | 98,980               |
|   | <u>990,636</u>       | <u>-</u>               | <u>990,636</u>       | <u>1,020,444</u>     | <u>-</u>               | <u>1,020,444</u>     |
| <b>Total expenses</b>                                 | <b>8,242,091</b>     | <b>-</b>               | <b>8,242,091</b>     | <b>7,874,980</b>     | <b>-</b>               | <b>7,874,980</b>     |
| Change in net assets before other revenues (expenses) | (104,683)            | -                      | (104,683)            | 28,812               | -                      | 28,812               |
| <b>Other revenues (expenses)</b>                      |                      |                        |                      |                      |                        |                      |
| Donations, gifts and bequests                         | 98,424               | -                      | 98,424               | 850,522              | -                      | 850,522              |
| Loss on disposal of assets                            | (58,993)             | -                      | (58,993)             | (64,645)             | -                      | (64,645)             |
| Interest and dividend income (Note B)                 | 527,707              | -                      | 527,707              | 441,147              | -                      | 441,147              |
| Realized and unrealized loss on investments (Note B)  | (583,730)            | -                      | (583,730)            | 1,155,122            | -                      | 1,155,122            |
| Investment property expenses                          | (19,541)             | -                      | (19,541)             | -                    | -                      | -                    |
| Write off or prior bond issuance costs                | (517,411)            | -                      | (517,411)            | -                    | -                      | -                    |
|   | <u>(553,544)</u>     | <u>-</u>               | <u>(553,544)</u>     | <u>2,382,146</u>     | <u>-</u>               | <u>2,382,146</u>     |
| <b>CHANGE IN NET ASSETS</b>                           | <b>(658,227)</b>     | <b>-</b>               | <b>(658,227)</b>     | <b>2,410,958</b>     | <b>-</b>               | <b>2,410,958</b>     |
| Net assets - beginning of year                        | 19,770,721           | 80,425                 | 19,851,146           | 17,359,763           | 80,425                 | 17,440,188           |
| <b>Net assets - end of year</b>                       | <b>\$ 19,112,494</b> | <b>\$ 80,425</b>       | <b>\$ 19,192,919</b> | <b>\$ 19,770,721</b> | <b>\$ 80,425</b>       | <b>\$ 19,851,146</b> |

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

Aldersly and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30, 2015 and 2014

|  | <u>2015</u>        | <u>2014</u>        |
|--|--------------------|--------------------|
| Cash flows provided by (used in) operating activities: |                    |                    |
| Cash received from residents                           | \$ 8,474,595       | \$ 8,937,418       |
| Cash received from donors                              | 898,424            | 44,218             |
| Investment income received                             | 524,934            | 441,034            |
| Cash paid for interest on long-term debt               | (234,553)          | (292,407)          |
| Cash paid to suppliers and employees                   | (7,324,713)        | (7,039,509)        |
| Cash paid for fundraising costs                        | (25,211)           | (27,896)           |
| Prior loan payoff costs                                | (20,528)           | -                  |
|  | <u>2,292,948</u>   | <u>2,062,858</u>   |
| Cash flows provided by (used in) investing activities: |                    |                    |
| Net change in assets held in trust                     | (1,548,558)        | 729                |
| Capital expenditures                                   | (488,939)          | (375,252)          |
| Proceeds from sales of investments                     | 8,370,823          | 8,525,924          |
| Purchase of residential real estate                    | (705,000)          | -                  |
| Purchase of investments                                | (9,418,793)        | (10,265,831)       |
|  | <u>(3,790,467)</u> | <u>(2,114,430)</u> |
| Cash flows provided by (used in) financing activities: |                    |                    |
| Loan proceeds from refinance                           | 6,635,000          | -                  |
| Payoff of previous debt                                | (5,593,760)        | -                  |
| Debt issuance costs                                    | (346,979)          | -                  |
| Premium on bond payable                                | 672,398            | -                  |
| Principal payments on long-term debt                   | -                  | (213,083)          |
|  | <u>1,366,659</u>   | <u>(213,083)</u>   |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS   | (130,860)          | (264,655)          |
| Cash and cash equivalents at beginning of year         | <u>815,465</u>     | <u>1,080,120</u>   |
| Cash and cash equivalents at end of year               | <u>\$ 684,605</u>  | <u>\$ 815,465</u>  |
| <u>Non-cash transactions</u>                           |                    |                    |
| Donated equipment from vendor                          | <u>\$ 20,304</u>   | <u>\$ 8,293</u>    |

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

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2015 and 2014

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

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

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

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

Principles of consolidation

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

Net assets

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

*Unrestricted:*

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

*Temporarily restricted:*

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

*Permanently restricted:*

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

Income taxes

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

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2015 and 2014

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

Income taxes (continued)

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

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

Cash and cash equivalents

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

Concentrations of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Accounts receivable - residents

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

At September 30, 2015 and 2014, the allowance for doubtful accounts amounted to \$69,219 and \$31,291, respectively.

Investments

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

Rental real estate held for investment is recorded at cost. The property has not been placed in service at September 30, 2015. Accordingly, no depreciation has been recorded.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2015 and 2014

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

Fair value measurements

The Organization is required, under an accounting pronouncement for fair value measurements, to consider the use of market-based information over entity specific information in valuing its marketable investment securities. The pronouncement establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

Fair value measurements (continued)

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

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

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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

Property, buildings, and equipment

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

Assets whose use is limited or restricted

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

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2015 and 2014

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

Deferred financing costs

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

Entrance fees

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

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

Donated services

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

Use of estimates

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

Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through the date the consolidated financial statements were available to be issued, January 29, 2016.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2015 and 2014

NOTE B - INVESTMENTS

Investments consist of the following at September 30, 2015 and 2014:

|                             | 2015                 |                      |  |
|-----------------------------|----------------------|----------------------|--|
|                             | Cost                 | Market               | Unrealized<br>Appreciation<br>(Depreciation) |
| Cash investments            | \$ 942,513           | \$ 942,513           | \$ -   |
| Corporate stocks            | 9,871,320            | 11,594,222           | 1,722,902                                    |
| Corporate bonds             | 6,521,197            | 6,463,009            | (58,188)                                     |
| U.S. government obligations | 472,352              | 471,735              | (617)  |
| Mutual funds                | 488,913              | 439,002              | (49,911)                                     |
| <b>Total investments</b>    | <b>\$ 18,296,295</b> | <b>\$ 19,910,481</b> | <b>\$ 1,614,186</b>                          |

|                             | 2014                 |                      |  |
|-----------------------------|----------------------|----------------------|--|
|                             | Cost                 | Market               | Unrealized<br>Appreciation<br>(Depreciation) |
| Cash investments            | \$ 1,487,739         | \$ 1,487,739         | \$ -   |
| Corporate stocks            | 9,496,304            | 11,904,931           | 2,408,627                                    |
| Corporate bonds             | 4,662,810            | 5,206,242            | 543,432                                      |
| U.S. government obligations | 402,467              | 394,202              | (8,265)                                      |
| Mutual funds                | 476,941              | 453,127              | (23,814)                                     |
| <b>Total investments</b>    | <b>\$ 16,526,261</b> | <b>\$ 19,446,241</b> | <b>\$ 2,919,980</b>                          |

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

|           | 2015                 | 2014                 |
|-----------|----------------------|----------------------|
| Current   | \$ 14,449,229        | \$ 14,204,108        |
| Long-term | 5,461,252            | 5,242,133            |
|           | <b>\$ 19,910,481</b> | <b>\$ 19,446,241</b> |

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2015 and 2014

NOTE B - INVESTMENTS (continued)

The investment return for the years ended September 30, 2015 and 2014 is as follows:

|                              | <u>2015</u>        | <u>2014</u>         |
|------------------------------|--------------------|---------------------|
| Interest and dividend income | \$ 527,707         | \$ 441,147          |
| Realized gains               | 722,064            | 153,533             |
| Unrealized gains (losses)    | <u>(1,305,794)</u> | <u>1,001,589</u>    |
|                              | <u>\$ (56,023)</u> | <u>\$ 1,596,269</u> |

The investment return/(loss) for the years ended September 30, 2015 and 2014 includes (\$1,212) and \$502,967, respectively, in (losses)/earnings from the board designated Endowment Fund.

Investment management fees and other investment-related expenses for the years ended September 30, 2015 and 2014 amounted to \$99,436 and \$98,980, respectively.

NOTE C - ACCOUNTS RECEIVABLE - RESIDENTS

Accounts receivable - residents consist of the following:

|                                 | <u>2015</u>       | <u>2014</u>       |
|---------------------------------|-------------------|-------------------|
| Private                         | \$ 79,409         | \$ 138,342        |
| Medicare/MediCal                | 117,690           | 133,140           |
| Other insurance                 | <u>12,203</u>     | <u>11,823</u>     |
|                                 | 209,302           | \$ 283,305        |
| Allowance for doubtful accounts | <u>(69,219)</u>   | <u>(31,291)</u>   |
|                                 | <u>\$ 140,083</u> | <u>\$ 252,014</u> |

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2015 and 2014

NOTE D – INVESTMENT IN RESIDENTIAL REAL ESTATE

At September 30, 2015 and 2014 rental real estate held for investment consists of the following:

|                           | Asset Amount      |             |
|---------------------------|-------------------|-------------|
|                           | 2015              | 2014        |
| Residential Property      |                   |             |
| Land                      | \$ 390,000        | \$ -        |
| Building and improvements | 315,000           | -           |
|                           | <u>\$ 705,000</u> | <u>\$ -</u> |

NOTE E - PROPERTY, BUILDINGS AND EQUIPMENT - NET

Property, buildings and equipment consist of:

|   | 2015                 | 2014                 |
|---|----------------------|----------------------|
| Land                                    | \$ 232,822           | \$ 232,822           |
| Buildings                               | 15,176,934           | 15,344,811           |
| Land improvements                       | 258,833              | 221,269              |
| Building improvements                   | 2,476,540            | 2,205,850            |
| Equipment                               | 1,448,175            | 1,410,365            |
| Furniture                               | 378,364              | 373,074              |
| Assisted living furniture               | 144,693              | 138,568              |
| Vehicles                                | 101,879              | 101,879              |
| Total property, buildings and equipment | 20,218,240           | 20,028,638           |
| Less: accumulated depreciation          | <u>(10,440,901)</u>  | <u>(10,026,222)</u>  |
|   | 9,777,339            | 10,002,416           |
| Construction in progress:               |                      |                      |
| Elevator project                        | 146,167              | 28,520               |
| Unit remodels                           | 87,450               | 20,507               |
| Living room project                     | 9,911                | 893                  |
| Dining room windows                     | -                    | 109,532              |
| Brick tile replacement                  | -                    | 29,368               |
| Garage cameras                          | -                    | 7,961                |
|   | <u>243,528</u>       | <u>196,781</u>       |
|   | <u>\$ 10,020,867</u> | <u>\$ 10,199,197</u> |

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2015 and 2014

NOTE F - ASSETS WHOSE USE IS LIMITED OR RESTRICTED

At September 30, 2015 and 2014, assets whose use is limited or restricted consist of the following:

Money market and bond investments (bond funds) with and managed by the trustees (as required by trust indentures):

|                                | <u>2015</u>         | <u>2014</u>       |
|--------------------------------|---------------------|-------------------|
| 2015 Series A and B bond funds | \$ 2,276,431        | \$ -              |
| 2002 Series A bond funds       | <u>-</u>            | <u>727,873</u>    |
|                                | <u>\$ 2,276,431</u> | <u>\$ 727,873</u> |

Funds held by the bond trustee at September 30, 2015 include \$1.7 million to be used for capital projects.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2015 and 2014

NOTE G - LONG-TERM DEBT

Long-term debt consists of the following:

|   | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|
| In February 2015, the California Statewide Communities Development Authority (CSCDA) issued Revenue Refunding Bonds series 2015A and 2015B on behalf of the Organization at an aggregate purchase price of \$7,307,398. The purchase amount reflects \$6,635,000 of aggregate par amounts plus an original issue premium of the Series 2015A Bonds of \$765,288 and less an aggregate purchase discount of \$92,890 (of which \$29,458 relates to the Series 2015A bonds and \$63,432 relates to the series 2015B bonds). The bond proceeds were used to pay off existing bond debt from the California Health Facilities Financing Authority (CHFFA), pay off a note to a financial institution, establish funding for future capital projects (elevator and living room projects), and a debt service reserve fund. The bonds bear interest rates ranging from 2.5% to 5% and mature at various dates through May 15, 2040. | \$ 6,635,000        |                     |
| In September 2002, the (CHFFA) issued \$7,125,000 of Insured Senior Living Revenue Bonds (2002 Series A) on behalf of the Organization. The bond proceeds were used to finance the demolition of an existing building and the construction of a new assisted living facility. The bonds bear interest rates ranging from 2.00% to 5.25% and mature at various dates through March 1, 2032. All 2002 Series A bonds were paid in full in February 2015 with proceeds from the new bond financing.  | -                   | 5,440,000           |
| Note payable to a financial institution, due in monthly installments of \$2,762 including interest at 3%, through September 2019. This loan was paid in full with proceeds from the new bond financing.   | -                   | <u>153,760</u>      |
|   | <u>6,635,000</u>    | <u>5,593,760</u>    |
| Less: current maturities  | <u>(155,000)</u>    | <u>(218,930)</u>    |
|   | <u>\$ 6,480,000</u> | <u>\$ 5,374,830</u> |

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2015 and 2014

NOTE G - LONG-TERM DEBT (continued)

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

| <u>Year ending September 30,</u> |                     |
|----------------------------------|---------------------|
| 2016                             | \$ 155,000          |
| 2017                             | 160,000             |
| 2018                             | 165,000             |
| 2019                             | 165,000             |
| 2020                             | 170,000             |
| Thereafter                       | <u>5,820,000</u>    |
|                                  | <u>\$ 6,635,000</u> |

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

Interest costs on the long-term debt have been charged to other operating expenses and amounted to \$234,553 and \$292,407 for the years ended September 30, 2015 and 2014, respectively.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2015 and 2014

NOTE H - UNEARNED ENTRANCE FEES AND GUARANTEED REFUNDS

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

|                                    | Unearned<br>Entrance Fees | Guaranteed<br>Refunds | Total               |
|------------------------------------|---------------------------|-----------------------|---------------------|
| Balance at September 30, 2013      | \$ 4,519,213              | \$ 1,528,160          | \$ 6,047,373        |
| Net entrance fees received         | 1,350,305                 | 444,705               | 1,795,010           |
|                                    | <u>5,869,518</u>          | <u>1,972,865</u>      | <u>7,842,383</u>    |
| Add: entrance fees receivable      | -                         | -                     | -                   |
| Less: amounts included in revenues | (885,508)                 | -                     | (885,508)           |
| Less: refunds                      | <u>(17,746)</u>           | <u>-</u>              | <u>(17,746)</u>     |
| Balance at September 30, 2014      | 4,966,264                 | 1,972,865             | 6,939,129           |
| Net entrance fees received         | 1,023,040                 | 413,940               | 1,436,980           |
|                                    | <u>5,989,304</u>          | <u>2,386,805</u>      | <u>8,376,109</u>    |
| Add: entrance fees receivable      | -                         | -                     | -                   |
| Less: amounts included in revenues | (1,025,414)               | -                     | (1,025,414)         |
| Less: refunds                      | <u>(195,995)</u>          | <u>-</u>              | <u>(195,995)</u>    |
| Balance at September 30, 2015      | <u>\$ 4,767,895</u>       | <u>\$ 2,386,805</u>   | <u>\$ 7,154,700</u> |

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

|   | 2015                | 2014                |
|---|---------------------|---------------------|
| Unearned entrance fees - refundable     | \$ 1,356,437        | \$ 2,685,072        |
| Unearned entrance fees - non-refundable | <u>3,411,458</u>    | <u>2,281,192</u>    |
| Total unearned entrance fees            | <u>\$ 4,767,895</u> | <u>\$ 4,966,264</u> |

Continuing care retirement communities are required to report a liability recognizing an obligation to provide future services and the use of the facilities to current residents in excess of related anticipated revenues, when the present value of future net cash outflows plus depreciation to be charged related to the contracts exceeds the unearned entrance fees. A calculation of the obligation for future services was done as of September 30, 2015. There was no obligation for future services at September 30, 2015 as the projected revenues exceeded projected expenses by approximately \$5,372,069, discounted to approximately \$2,057,822. The interest rate used to discount the liability (asset) was 5%.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2015 and 2014

NOTE I - UNRESTRICTED NET ASSETS - BOARD DESIGNATED

Board Designated for Endowment

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

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

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

Board Designated for Capital Replacement

In accordance with the loan agreement with the State of California Health Facilities Financing Agency, Aldersly was required to establish a reserve to be used for capital improvements. At September 30, 2014, there was no requirement to fund this reserve due to the extent of capital improvements in the prior year. This loan was paid in full during the year ended September 30, 2015.

Board Designated for Care Fund

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

Board Designated for Living Room Project

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

Board Designated for Elevator Project

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

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2015 and 2014

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

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

|                                       | <u>Endowment</u>    | <u>Care Fund</u>  | <u>Living Room Project</u> | <u>Elevator Project</u> | <u>Total</u>        |
|---------------------------------------|---------------------|-------------------|----------------------------|-------------------------|---------------------|
| Balances at September 30, 2013        | \$ 4,732,894        | \$ 190,903        | \$ 797,940                 | \$ -                    | \$ 5,721,737        |
| Donations allocated to endowment      | 6,272               | -                 | -                          | -                       | 6,272               |
| Designated investment gain            | 502,967             | -                 | -                          | -                       | 502,967             |
| Amounts allocated by the board        | -                   | 4,050             | -                          | 250,000                 | 254,050             |
| Amounts spent for resident assistance | -                   | (13,335)          | -                          | -                       | (13,335)            |
| Amounts spent for project costs       | -                   | -                 | (32,638)                   | -                       | (32,638)            |
| Balances at September 30, 2014        | 5,242,133           | 181,618           | 765,302                    | 250,000                 | 6,439,053           |
| Donations allocated to endowment      | 234,864             | -                 | -                          | -                       | 234,864             |
| Designated investment gain (loss)     | (15,745)            | -                 | -                          | -                       | (15,745)            |
| Amounts allocated by the board        | -                   | 1,255             | -                          | -                       | 1,255               |
| Amounts spent for resident assistance | -                   | (14,700)          | -                          | -                       | (14,700)            |
| Balances at September 30, 2015        | <u>\$ 5,461,252</u> | <u>\$ 168,173</u> | <u>\$ 765,302</u>          | <u>\$ 250,000</u>       | <u>\$ 6,644,727</u> |

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2015 and 2014, temporarily restricted net assets were held for the following purpose:

Aldersly Care Fund      \$ 80,425

NOTE K - RETIREMENT PLAN

The Organization has an Internal Revenue Code section 401(k) retirement plan. Plan participants may elect to defer a portion of their compensation (up to the maximum allowed by law) and have such salary deferrals contributed to their plan accounts. The Organization matches up to 4% of the employee's salary. Matching contributions for the years ended September 30, 2015 and 2014 were \$56,893 and \$47,598, respectively. The Plan also provides for discretionary employer profit sharing contributions to the Plan. There were no discretionary contributions made for the years ended September 30, 2015 and 2014.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2015 and 2014

NOTE L - STATEMENTS OF CASH FLOWS - ADDITIONAL DISCLOSURES

Reconciliation of change in net assets to net cash flows provided by operating activities for the years ended September 30, 2015 and 2014 is as follows:

|   | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|
| Change in net assets  | \$ (658,227)        | \$ 2,410,958        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                     |                     |
| Change in unearned entrance fees  |                     |                     |
| Net entrance fees received  | 1,023,040           | 1,350,305           |
| Revenue recognized/refunds  | (1,221,409)         | (903,254)           |
| Change in return of capital contracts received  | 413,940             | 444,705             |
| Amortization of deferred financing costs  | 23,103              | 33,242              |
| Amortization of premium on bond discount  | (17,931)            | -                   |
| Depreciation  | 608,276             | 595,815             |
| In-kind donations   | (20,304)            | (8,293)             |
| Stock donations   | -                   | (6,304)             |
| Loss on asset disposal  | 58,994              | 64,646              |
| Write off of prior bond issuance costs  | 517,411             | -                   |
| Net realized/unrealized (gain) loss on investments  | 583,730             | (1,155,122)         |
| Changes in operating assets and liabilities   |                     |                     |
| Accounts receivable - residents   | 111,931             | (26,422)            |
| Entrance fees receivable  | -                   | 203,273             |
| Accounts receivable - other   | 23,289              | (23,289)            |
| Interest and dividends receivable   | (2,774)             | (114)               |
| Prepaid expenses  | (92,617)            | (74,917)            |
| Bequest receivable  | 800,000             | (800,000)           |
| Accounts payable and accrued expenses   | 156,100             | (30,679)            |
| Deposit liability   | (13,604)            | (11,692)            |
| Net cash provided by operating activities   | <u>\$ 2,292,948</u> | <u>\$ 2,062,858</u> |

NOTE M - RELATED PARTY TRANSACTIONS

For the years ended September 30, 2015 and 2014, the Organization paid \$38,208 each year to the medical director who also serves as a board member.

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2015 and 2014

NOTE N - COMMITMENTS AND CONTINGENCIES

Legal proceedings

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

Leases

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

Future minimum payments required under the agreement are as follows:

Year ending September 30,

|      |                  |
|------|------------------|
| 2016 | <u>\$ 16,005</u> |
|------|------------------|

Service agreement

The Organization entered into a five year agreement with a vendor for various nutrition services commencing in March 2013. During the year ended September 30, 2015, the vendor purchased approximately \$100,000 of equipment and enhancements which were installed at the Organization. Pursuant to the agreement, ownership of the assets transfers to the Organization proportionally over a five year period commencing at the asset purchase date. Should the agreement expire or be terminated prior to the complete amortization of the transfer of ownership, the Organization shall reimburse the vendor for any unamortized portion. At September 30, 2015 and 2014, the unearned vendor credit was \$72,923 and \$93,227, respectively. These amounts are recorded as liabilities at September 30, 2015 and 2014.

The expected future income from this credit is as follows:

Year ending September 30,

|      |                  |
|------|------------------|
| 2016 | \$ 20,304        |
| 2017 | 20,304           |
| 2018 | 20,304           |
| 2019 | <u>12,011</u>    |
|      | <u>\$ 72,923</u> |

Aldersly and Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended September 30, 2015 and 2014

NOTE N - COMMITMENTS AND CONTINGENCIES (continued)

Other

The Organization does not have any amounts accumulated for contingencies. The Organization has set aside \$2,715,302 for future capital projects (refer to Notes F and I).

**SUPPLEMENTAL INFORMATION**

Aldersly and Subsidiary

SCHEDULES OF GENERAL OPERATING EXPENSES (continued)

Years ended September 30, 2015 and 2014

|   | <u>2015</u>             | <u>2014</u>             |
|---|-------------------------|-------------------------|
| Health center                           |                         |                         |
| Salaries and wages                      | 886,716                 | 899,077                 |
| Payroll taxes and related benefits      | 231,958                 | 188,266                 |
| Therapy                                 | 201,910                 | 183,044                 |
| Professional fees                       | 66,838                  | 67,828                  |
| Drugs                                   | 64,786                  | 44,423                  |
| Minor equipment                         | 42,910                  | 36,868                  |
| Activities                              | 16,747                  | 20,532                  |
| Ancillaries                             | 12,421                  | 8,217                   |
| Travel                                  | 8,950                   | 5,670                   |
| Other nonmedical supplies               | 3,266                   | 3,556                   |
| Education                               | 26,144                  | 3,522                   |
| Recruiting                              | 1,028                   | 75                      |
| Other                                   | 1,936                   | 1,557                   |
| Licenses and fees                       | 6,562                   | 343                     |
|   | <u>1,572,172</u>        | <u>1,462,978</u>        |
| Assisted living                         |                         |                         |
| Salaries and wages                      | 801,612                 | 791,840                 |
| Payroll taxes and related benefits      | 166,019                 | 147,189                 |
| Other nonmedical supplies               | 30,782                  | 29,289                  |
| Professional fees                       | 22,925                  | 22,925                  |
| Consultants                             | 8,216                   | 6,853                   |
| Other                                   | 3,228                   | 3,204                   |
| Maintenance and repairs                 | 2,806                   | 1,317                   |
| Activities                              | 20,700                  | 160                     |
|   | <u>1,056,288</u>        | <u>1,002,777</u>        |
| <br>TOTAL GENERAL<br>OPERATING EXPENSES | <br><u>\$ 5,433,779</u> | <br><u>\$ 5,094,908</u> |

Aldersly and Subsidiary

SCHEDULES OF MARKETING EXPENSES

Years ended September 30, 2015 and 2014

|                                 | <u>2015</u>              | <u>2014</u>              |
|---------------------------------|--------------------------|--------------------------|
| Advertising                     | \$ 68,950                | \$ 86,691                |
| Promotion and sales             | 68,207                   | 64,316                   |
| Development expense             | -                        | 31,745                   |
| Resident survey                 | 5,670                    | -                        |
| Brochures                       | 8,396                    | -                        |
| Other                           | 3,212                    | 3,895                    |
| Printing                        | 21,049                   | 6,822                    |
| Postage                         | <u>5,030</u>             | <u>4,622</u>             |
| <b>TOTAL MARKETING EXPENSES</b> | <b><u>\$ 180,514</u></b> | <b><u>\$ 198,091</u></b> |

Aldersly and Subsidiary

SCHEDULES OF ADMINISTRATIVE EXPENSES

Years ended September 30, 2015 and 2014

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| Management fee                         | \$ 310,606          | \$ 338,819          |
| Salaries and wages                     | 275,161             | 266,893             |
| Contract personnel (LCS)               | 242,460             | 198,681             |
| Professional services                  | 197,980             | 187,760             |
| Insurance                              | 155,538             | 166,507             |
| Property taxes                         | 113,044             | 109,144             |
| Payroll taxes and related benefits     | 62,429              | 64,758              |
| Professional accounting services       | 41,909              | 45,123              |
| Telephone                              | 39,626              | 28,143              |
| Bad debts                              | 37,928              | 35,020              |
| Maintenance and repairs                | 33,542              | 27,226              |
| Dues and subscriptions                 | 26,668              | 16,029              |
| Data communication and connect charges | 25,719              | 20,128              |
| Travel and transportation              | 22,381              | 21,211              |
| Office supplies                        | 12,371              | 8,117               |
| Recruiting                             | 10,227              | 4,575               |
| Licenses and fees                      | 9,836               | 10,088              |
| Postage                                | 8,928               | 3,629               |
| Other                                  | 10,809              | 9,686               |
|  | <u>          </u>   | <u>          </u>   |
| TOTAL ADMINISTRATIVE EXPENSES          | <u>\$ 1,637,162</u> | <u>\$ 1,561,537</u> |

RECEIVED  
FEB 02 2016

CONTINUING CARE  
CONTRACTS BRANCH

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

September 30, 2015

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Aldersly

**Report on the Continuing Care Reserve Report**

We have audited the accompanying continuing care reserve report ("Report") of Aldersly and Subsidiary as of September 30, 2015. The accompanying Report was prepared for the purpose of complying with California Health and Safety Code Section 1792 and is not intended to be a complete presentation of Aldersly and Subsidiary's financial statements.

**Management's Responsibility for the Report**

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

**Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Aldersly and Subsidiary's preparation and fair presentation of the 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 Aldersly and Subsidiary's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Report.

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

INDEPENDENT AUDITORS' REPORT (continued)

**Opinion**

In our opinion, the Report presents fairly, in all material respects, the liquid reserve requirements of Aldersly and Subsidiary as of September 30, 2015 in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

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

*DZH Phillips LLP*

San Francisco, California  
January 29, 2016

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

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

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

**NOTE:** For column (b), do not include voluntary payments made to pay down principal.  
NOTE 2: Debt incurred in prior year was paid off by a bond refinancing in February 2015.

**PROVIDER: ALDRERSLY**

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

|                           | (a)<br>Date Incurred | (b)<br>Total Interest Paid<br>During Fiscal Year | (c)<br>Amount of Most Recent<br>Payment on the Debt | (d)<br>Number of<br>Payments over<br>next 12 months | (e)<br>Reserve Requirement<br>(see instruction 5)<br>(columns (c) x (d)) |
|---------------------------|----------------------|--|---|---|--|
| Long-Term Debt Obligation |                      |  |   |   |  |
| 1                         | 02/01/15             | \$70,133   | \$70,133  | 2   | \$140,266  |
| 2                         |                      |  |   |   | \$0  |
| 3                         |                      |  |   |   | \$0  |
| 4                         |                      |  |   |   | \$0  |
| 5                         |                      |  |   |   | \$0  |
| 6                         |                      |  |   |   | \$0  |
| 7                         |                      |  |   |   | \$0  |
| 8                         |                      |  |   |   | \$0  |
| <b>TOTAL:</b>             |                      | \$70,133   | \$70,133  | 2   | \$140,266  |

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

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

**PROVIDER:** ALDRERSLY

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

| Line   | TOTAL            |
|--|------------------|
| 1 Total from Form 5-1 bottom of Column (e)   | \$0              |
| 2 Total from Form 5-2 bottom of Column (e)   | \$140,266        |
| 3 Facility leasehold or rental payment paid by provider during fiscal year<br>(including related payments such as lease insurance) | NONE             |
| 4 <b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>   | <b>\$140,266</b> |

**PROVIDER:** ALDRSLY

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

| <b>Line</b> | <b>Amounts</b>   | <b>TOTAL</b>       |
|-------------|--|--------------------|
| 1           | Total operating expenses from financial statements   | \$8,242,091        |
| 2           | Deductions:  |                    |
| a.          | Interest paid on long-term debt (see instructions)   | 70,133             |
| b.          | Credit enhancement premiums paid for long-term debt (see instructions)                                       | NONE               |
| c.          | Depreciation   | \$608,276          |
| d.          | Amortization   | \$23,103           |
| e.          | Revenues received during the fiscal year for services to persons who did not have a continuing care contract | 593,723            |
| f.          | Extraordinary expenses approved by the Department  | NONE               |
| 3           | Total Deductions   | \$3,297,235        |
| 4           | Net Operating Expenses   | \$4,944,856        |
| 5           | Divide Line 4 by 365 and enter the result.   | \$13,548           |
| 6           | <b>Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.</b>  | <b>\$1,016,066</b> |

**PROVIDER:** ALDERSLY

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

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

Provider Name: ALDERSLY

Fiscal Year Ended: SEPTEMBER 30, 2015

|   |               |                     |
|---|---------------|---------------------|
| Amount per Form 5-4, line 2-e: Revenues received for services to persons without a continuing care contract |               | \$ 2,595,723        |
| Add: Monthly care fees  | \$ 2,719,279  |                     |
| Healthcare center fees  | 1,287,876     |                     |
| Personal care fees  | 610,896       |                     |
| Entrance fees (net)   | 1,240,985     |                     |
| Other resident services   | <u>19,836</u> | <u>5,878,872</u>    |
| Cash received from residents per statement of cash flows  |               | <u>\$ 8,474,595</u> |



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

Provider Name: ALDERSLY  
Fiscal Year Ended: SEPTEMBER 30, 2015

---

Aldersly currently maintains its Debt Service Reserve of \$140,266 and its Operating Reserve of \$1,016,066 by investing in corporate stocks and bonds, U.S. government obligations, cash equivalents and mutual funds with a combined value of \$20,595,086 at September 30, 2015.

As part its bond financing, Aldersly has \$2,276,431 in reserves held by the bond trustee, of which \$1,633,624 is to be used for capital projects.

There are no other funds specifically held for identified projects or purposes or any funds maintained or designated for specific contingencies except for board designated reserves of \$6,644,727 and the temporarily restricted net assets of \$80,425. The income from the board designated reserves may be used for assistance to residents or other specific projects identified by the board from time to time.

Total operating expenses for the year ended September 30, 2015, amounted to \$8,242,091. This amount, divided by the mean number of all residents for the year of 97, results in per capita costs of operation of \$84,970.

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

Date Prepared: 1/29/16



FACILITY NAME: Aldersly Garden Retirement Community  
 ADDRESS: 326 Mission Blvd San Rafael, CA ZIP CODE: 94901 PHONE: 451-453-7425  
 PROVIDER NAME: Aldersly FACILITY OPERATOR: 12 Member Board of Directors  
 RELATED FACILITIES: None RELIGIOUS AFFILIATION: None  
 YEAR OPENED: 1921 # OF ACRES: 3+  SINGLE  MULTI-  OTHER: Both  
 MILES TO SHOPPING CTR: <1 mile  
 MILES TO HOSPITAL: 4 miles

**NUMBER OF UNITS:**

|   |                            |
|---|----------------------------|
| <b>RESIDENTIAL LIVING</b>                   | <b>HEALTH CARE</b>         |
| APARTMENTS — STUDIO: <u>15</u>              | ASSISTED LIVING: <u>30</u> |
| APARTMENTS — 1 BDRM: <u>41</u>              | SKILLED NURSING: <u>20</u> |
| APARTMENTS — 2 BDRM: _____                  | SPECIAL CARE: _____        |
| COTTAGES/HOUSES: _____                      | DESCRIPTION: > _____       |
| RLU OCCUPANCY (%) AT YEAR END: <u>88.6%</u> | > _____                    |

TYPE OF OWNERSHIP:  NOT-FOR-PROFIT  FOR-PROFIT ACCREDITED?:  YES  NO BY: \_\_\_\_\_

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

REFUND PROVISIONS: (Check all that apply)  90%  75%  50%  FULLY AMORTIZED  OTHER: Prorated to 0% and 50% after 4 years

RANGE OF ENTRANCE FEES: \$ 99,000 - \$ 229,500 LONG-TERM CARE INSURANCE REQUIRED?  YES  NO

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

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: N/A OTHER: No Max Age

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Present residents' concerns to the Board

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

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: Aldersly

**OTHER CCRCs**

**LOCATION (City, State)**

**PHONE (with area code)**

|  |  |  |
|--|--|--|
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

**MULTI-LEVEL RETIREMENT COMMUNITIES**

**LOCATION (City, State)**

**PHONE (with area code)**

|  |  |  |
|--|--|--|
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

**FREE-STANDING SKILLED NURSING**

**LOCATION (City, State)**

**PHONE (with area code)**

|  |  |  |
|--|--|--|
|  |  |  |
|  |  |  |
|  |  |  |

**SUBSIDIZED SENIOR HOUSING**

**LOCATION (City, State)**

**PHONE (with area code)**

|  |  |  |
|--|--|--|
|  |  |  |
|  |  |  |
|  |  |  |

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

PROVIDER NAME: Aldersly

|  | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|
| <b>INCOME FROM ONGOING OPERATIONS</b>  |             |             |             |             |
| <b>OPERATING INCOME</b>  |             |             |             |             |
| (Excluding amortization of entrance fee income)                              | 6,687,619   | 6,672,943   | 7,018,284   | 7,111,994   |
| <b>LESS OPERATING EXPENSES</b>   |             |             |             |             |
| (Excluding depreciation, amortization, and interest)                         | 6,696,611   | 6,765,236   | 6,953,516   | 7,373,562   |
| <b>NET INCOME FROM OPERATIONS</b>  | (8,992)     | (92,293)    | 64,768      | (261,568)   |
| <b>LESS INTEREST EXPENSE</b>   | 308,893     | 300,941     | 292,407     | 234,553     |
| <b>PLUS CONTRIBUTIONS</b>  | 61,865      | 1,086,165   | 850,522     | 98,424      |
| <b>PLUS NON-OPERATING INCOME (EXPENSES)</b>                                  |             |             |             |             |
| (excluding extraordinary items)  | 1,967,064   | 1,713,908   | 1,531,624   | -651,968    |
| <b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b> | 1,711,044   | 2,406,839   | 2,154,507   | -1,049,665  |
| <b>NET CASH FLOW FROM ENTRANCE FEES</b>                                      |             |             |             |             |
| (Total Deposits Less Refunds)  | 1,334,485   | 1,485,367   | 1,777,265   | 1,240,985   |

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

| <u>LENDER</u> | <u>OUTSTANDING BALANCE</u> | <u>INTEREST RATE</u> | <u>DATE OF ORIGATION</u> | <u>DATE OF MATURITY</u> | <u>AMORTIZATION PERIOD</u> |
|---------------|----------------------------|----------------------|--------------------------|-------------------------|----------------------------|
| CSCDA         | 6,635,000                  | variable             | 2/1/2015                 | 5/15/2040               | 25 years                   |
|               |                            |                      |                          |                         |                            |
|               |                            |                      |                          |                         |                            |

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

|                                    | <u>2013 CCAC Medians<br/>50<sup>th</sup> Percentile<br/><i>(optional)</i></u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|------------------------------------|---|-------------|-------------|-------------|
| <b>DEBT TO ASSET RATIO</b>         |   | 19%         | 16%         | 19%         |
| <b>OPERATING RATIO</b>             |   | 100.6%      | 103.2%      | 107%        |
| <b>DEBT SERVICE COVERAGE RATIO</b> |   | 8.36        | 8.36        | 3.04        |
| <b>DAYS CASH ON HAND RATIO</b>     |   | 911         | 1021        | 988         |

\*\*\*\*\*  
**HISTORICAL MONTHLY SERVICE FEES** (Average Fee and Change Percentage)

|                 | <u>2012</u> | <u>%</u> | <u>2013</u> | <u>%</u> | <u>2014</u> | <u>%</u> | <u>2015</u> |
|-----------------|-------------|----------|-------------|----------|-------------|----------|-------------|
| STUDIO          | 3,386       | 0        | 3,386       | 3.8      | 3,513       | 3.8      | 3,645       |
| ONE BEDROOM     | 4,336       | 0        | 4,336       | 3.0      | 4,465       | 2.8      | 4,592       |
| TWO BEDROOM     |             |          |             |          |             |          |             |
| COTTAGE/HOUSE   |             |          |             |          |             |          |             |
| ASSISTED LIVING | 173/Day     | 0        | 173/Day     | 0        | 173/Day     | 3.5      | 179/Day     |
| SKILLED NURSING | 280/Day     | 0        | 280/Day     | 0        | 280/Day     | 3.2      | 289/Day     |
| SPECIAL CARE    |             |          |             |          |             |          |             |

\*\*\*\*\*  
**COMMENTS FROM PROVIDER:** >

> \_\_\_\_\_  
 > \_\_\_\_\_  
 > \_\_\_\_\_

**FINANCIAL RATIO FORMULAS**

**LONG-TERM DEBT TO TOTAL ASSETS RATIO**

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

**OPERATING RATIO**

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

**DEBT SERVICE COVERAGE RATIO**

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

**DAYS CASH ON HAND RATIO**

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

**NOTE:** These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

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

|   | <u>RESIDENTIAL<br/>LIVING</u> | <u>ASSISTED<br/>LIVING</u>    | <u>SKILLED<br/>NURSING</u>    |
|---|-------------------------------|-------------------------------|-------------------------------|
| <b>[1]</b> Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)                   | <u>\$3,645 to<br/>\$5,123</u> | <u>\$4,497 to<br/>\$5,218</u> | <u>\$8,670 to<br/>\$9,270</u> |
| <b>[2]</b> Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) | <u>2.75% - 3.75%</u>          | <u>0%</u>                     | <u>3.00% -<br/>3.25%</u>      |

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

**[3]** Indicate the date the fee increase was implemented: October 1, 2014  
(If more than 1 increase was implemented, indicate the dates for each increase.)

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

- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

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

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

ALDERSLY

FORM 7-1 INCREASES IN MONTHLY SERVICE FEES

Year ended September 30, 2015

Increases in monthly service fees

Aldersly's continuing care contracts do not specify a rate or dollar amount that monthly fees may be raised on an annual basis. The contract allows for adjustments periodically as deemed necessary based on financial indicators. The Board of Directors is responsible for reviewing financial indicators and recommending increases. Increases are determined on a case by case basis within the parameters set by the Board based on individual resident's factors. For the year ended September 30, 2015, the average increase in service fees for residential living was 2.75 – 3.75%. For the year ended September 30, 2015, the average increase in service fees for skilled nursing was 3 – 3.25%. There was no increase in services fees for assisted living for the year ended September 30, 2015.