

**ANNUAL REPORT
CHECKLIST
for
FISCAL YEAR ENDED:
6/30/2015**

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CONTINUING CARE
CONTRACTS BRANCH

PROVIDER: California-Nevada Methodist Homes, Inc.

FACILITIES: Forest Hill, Lake Park

CONTACT PERSON: Robert Leeper

TELEPHONE NO.: (510) 893-8989

✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓

Your complete annual report must consist of 2 copies of all of the following:

- ✓ This cover sheet.
- ✓ Annual Provider Fee in the amount of: \$ 15,995.00
 - ✓ If applicable, late fee in the amount of: \$ _____.
- ✓ Certification by the provider's chief *executive* officer that:
 - ✓ The reports are correct to the best of his/her knowledge.
 - ✓ Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - ✓ The provider is maintaining the required liquid 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.
- ✓ A copy of the Key Indicators Report.
- ✓ Disclosure details of reserves, specific funds, and per capita costs.

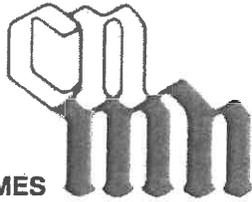
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CALIFORNIA-NEVADA METHODIST HOMES

ANNUAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2015**

**CALIFORNIA-NEVADA
METHODIST HOMES**



201 - 19th Street, Suite 100 • Oakland, CA 94612-4117 • (510) 893-8989 • Fax: (510) 893-3041

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CONTINUING CARE

October 31, 2015

Ms. Evon Lenerd, Chief
Continuing Care Contracts
Department of Social Services
744 P Street
Sacramento, California 95814

Dear Ms. Lenerd,

Please accept the enclosed Annual Reports and amendments for Forest Hill and Lake Park for the fiscal year ending June 30, 2015.

California-Nevada Methodist Homes uses continuing care contract forms for new residents which have been approved by the California Department of Social Services (DSS). As of October 31, 2015, the Corporation maintains operating and debt service reserves in excess of the DSS requirements. To the best of my knowledge and belief, the information contained within these reports and amendments is true and correct.

Sincerely,

Robert E. Hubbard
President & CEO



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CONTINUING CARE
CONTRACTS BRANCH

for Non-Profit Organizations

Declarations

POLICY NO. 105590982

Travelers Casualty and Surety Company of America
One Tower Square
Hartford, Connecticut 06183
(A Stock Insurance Company, herein called the Company)

LIABILITY COVERAGES, SEPARATE LIABILITY COVERAGES, AND THIRD PARTY LIABILITY INSURING AGREEMENTS ARE WRITTEN ON A CLAIMS-MADE BASIS AND COVER ONLY CLAIMS MADE AGAINST INSURED DURING THE POLICY PERIOD.

THE LIMIT OF LIABILITY AVAILABLE TO PAY SETTLEMENTS OR JUDGMENTS WILL BE REDUCED BY DEFENSE EXPENSES, AND DEFENSE EXPENSES WILL BE APPLIED AGAINST THE RETENTION. THE COMPANY HAS NO DUTY TO DEFEND ANY CLAIM UNLESS DUTY-TO-DEFEND COVERAGE HAS BEEN SPECIFICALLY PROVIDED HEREIN.

ITEM 1 NAMED INSURED/INSURANCE REPRESENTATIVE:

CALIFORNIA-NEVADA METHODIST HOMES, INC.

D/B/A:

Principal Address:
201 19th Street, Suite 100
OAKLAND, CA 94612

ITEM 2 POLICY PERIOD:

Inception Date: April 01, 2015 Expiration Date: April 01, 2016
12:01 A.M. local time both dates at the Principal Address stated in ITEM 1.

ITEM 3 ALL NOTICES OF CLAIM OR LOSS MUST BE SENT TO THE COMPANY BY EMAIL, FACSIMILE, OR MAIL AS SET FORTH BELOW:

Email:BSIclaims@travelers.com
FAX:(888) 460-6622

Mail:Travelers Bond & Specialty Insurance Claim
385 Washington St. – Mail Code 9275-NB03F
St Paul, MN 55102

ITEM 4 COVERAGES INCLUDED AS OF THE INCEPTION DATE IN ITEM 2:

Liability Coverages (subject to LIA-3001 Terms & Conditions)

Private Company Directors and Officers Liability

Fiduciary Liability

Crime Coverages

Crime

ITEM 5

LIABILITY COVERAGES (subject to LIA-3001)

PRIVATE COMPANY DIRECTORS AND OFFICERS LIABILITY

Limit of Liability:	Not Covered	for all Claims
Supplemental Personal Indemnification Coverage:	<input type="checkbox"/> Applicable	<input type="checkbox"/> Not Applicable
Supplemental Personal Indemnification Limit of Liability:	Not Covered	for all Claims
Additional Defense Coverage:	<input type="checkbox"/> Applicable	<input type="checkbox"/> Not Applicable
Additional Defense Limit of Liability:	Not Covered	for all Claims
Investigation Expense Limit of Liability:	Not Covered	for all Claims
Retention:		for each Claim under Insuring Agreement A. for each Claim under Insuring Agreement B. for each Claim under Insuring Agreement C.
Prior and Pending Proceeding Date:		
Continuity Date:		

FIDUCIARY LIABILITY

Limit of Liability:	\$500,000	for all Claims
Settlement Program Limit of Liability:	\$100,000	for each Settlement Program Notice , which amount is included within, and not in addition to, any applicable limit of liability
HIPAA Limit of Liability:	\$25,000	which amount is included within, and not in addition to, any applicable limit of liability
Additional Defense Coverage:	<input type="checkbox"/> Applicable	<input checked="" type="checkbox"/> Not Applicable

Additional Defense Limit of Liability: Not Covered for all **Claims**

Retention: \$0 for each **Claim** under Insuring Agreement A.
\$0 for each **Settlement Program Notice** under Insuring Agreement B.

Prior and Pending Proceeding Date: June 26, 2001

Continuity Date: June 26, 2001

CRIME COVERAGES

CRIME		
INSURING AGREEMENT	SINGLE LOSS LIMIT OF INSURANCE	SINGLE LOSS RETENTION
A. Fidelity 1. Employee Theft 2. ERISA Fidelity 3. Employee Theft of Client Property	\$500,000 \$500,000 Not Covered	\$10,000 \$0
B. Forgery or Alteration	Not Covered	
C. On Premises	\$3,000	\$500
D. In Transit	\$3,000	\$500
E. Money Orders and Counterfeit Money	Not Covered	
F. Computer Crime 1. Computer Fraud 2. Computer Program and Electronic Data Restoration Expense	\$500,000 \$100,000	\$10,000 \$10,000
G. Funds Transfer Fraud	\$500,000	\$10,000
H. Personal Accounts Protection 1. Personal Accounts Forgery or Alteration 2. Identity Fraud Expense Reimbursement	Not Covered Not Covered	
I. Claim Expense	\$5,000	\$0

Policy Aggregate Limit of Insurance: Applicable Not Applicable

If a Policy Aggregate Limit of Insurance is applicable, then the Policy Aggregate Limit of Insurance for each **Policy Period** for Insuring Agreements A through H, inclusive, is: Not Applicable

If a Policy Aggregate Limit of Insurance is not included, then this **Crime Policy** is not subject to a Policy Aggregate Limit of Insurance as set forth in section V. **CONDITIONS**, B.1.a.

Cancellation of Prior Insurance:

By acceptance of this **Crime Policy**, the **Insured** gives the Company notice canceling prior policies or bonds issued by the Company that are designated by policy or bond numbers. Not Applicable, such cancellation to be effective at the time this **Crime Policy** becomes effective.

INSURED'S PREMISES COVERED:

All Premises of the **Insured** in the United States of America, its territories and possessions, Canada, or any other country throughout the world, except:

Not Applicable

ITEM 6 PREMIUM FOR THE POLICY PERIOD FOR ALL COVERAGES:

\$2,452.00 Policy Premium for all purchased Coverages

ITEM 7 TYPE OF CLAIM DEFENSE FOR LIABILITY COVERAGES (subject to LIA-3001):

- Reimbursement
 Duty-to-Defend
 Varies by Coverage - See Expanded Claim Defense Options Endorsement

Only the type of CLAIM DEFENSE marked "" is included in this policy.

ITEM 8 EXTENDED REPORTING PERIOD FOR LIABILITY COVERAGES (subject to LIA-3001) AND CYBER COVERAGES:

Additional Premium Percentage: 100 %
Additional Months: 12

(If exercised in accordance with the applicable EXTENDED REPORTING PERIOD condition)

ITEM 9 RUN-OFF EXTENDED REPORTING PERIOD FOR LIABILITY COVERAGES (subject to LIA-3001) AND CYBER COVERAGES:

Additional Premium Percentage: 250 %
Additional Months: 36

(If exercised in accordance with the applicable CHANGE OF CONTROL condition)

ITEM 10 ANNUAL REINSTATEMENT OF THE LIABILITY COVERAGE LIMIT OF LIABILITY FOR LIABILITY COVERAGES (subject to LIA-3001):

- Applicable Not Applicable

Only those coverage features marked " Applicable" are included in this policy.

ITEM 11 FORMS AND ENDORSEMENTS ATTACHED AT ISSUANCE FOR ALL COVERAGES:

LIA-3001-0109; LIA-5004-1107; ACF-7004-0110; LIA-7305-0112; LIA-7115-0911; CRI-3001-0109;
FRI-3001-0109; CRI-5005-0810; ACF-4031-0211; CRI-7028-0109; ACF-7007-0811; CRI-19060-0713;
ACF-7006-0511

ITEM 12 LIABILITY COVERAGE SHARED LIMIT OF LIABILITY FOR LIABILITY COVERAGES (subject to LIA-3001):

- Applicable Not Applicable

N/A

for all **Claims** under the following **Liability Coverages** that are subject to the Terms & Conditions in LIA-3001:

If the **Liability Coverages** selected in ITEM 12 are also **Scheduled Coverages** selected in ITEM 13, then the amount of the **Liability Coverage Shared Limit of Liability** set forth in ITEM 12 is part of, and not in addition to, the **Shared Limit of Liability/Limit of Insurance for Scheduled Coverages** set forth in ITEM 13.

ITEM 13 SHARED LIMIT OF LIABILITY/LIMIT OF INSURANCE FOR SCHEDULED COVERAGES:

Applicable Not Applicable

N/A for all **Claims** and limits of insurance under the following **Scheduled Coverages**:

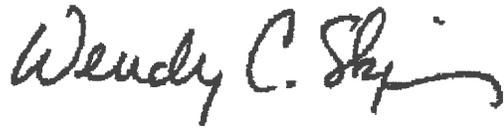
The Company's maximum liability for the **Policy Period** for all **Claims** and limits of insurance under the **Scheduled Coverages** listed in ITEM 13 will not exceed the amount of the **Shared Limit of Liability/Limit of Insurance for Scheduled Coverages**. Any Additional Defense Limit of Liability, Supplemental Personal Indemnification Limit of Liability, or Identity Fraud Expense Reimbursement Limit of Insurance is in addition to, and not part of, the **Shared Limit of Liability/Limit of Insurance for Scheduled Coverages**.

PRODUCER INFORMATION:

WELLS FARGO INS SVCS USA
1039-A N MCDOWELL BLVD
PETALUMA, CA 94954

IN WITNESS WHEREOF, the Company has caused this policy/bond to be signed by its authorized officers.


President, Bond & Financial Products


Corporate Secretary

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	91
[2]	Number at end of fiscal year	87
[3]	Total Lines 1 and 2	178
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	89
All Residents		
[6]	Number at beginning of fiscal year	97
[7]	Number at end of fiscal year	101
[8]	Total Lines 6 and 7	198
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of all residents	99
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of all residents (Line 10) and enter the result (round to two decimal places).	0.90

**FORM 1-2
ANNUAL PROVIDER FEE**

Line		TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$9,398,255
[a]	Depreciation	\$1,381,023
[b]	Debt Service (Interest Only)	\$1,335,150
[2]	Subtotal (add Line 1a and 1b)	\$2,716,173
[3]	Subtract Line 2 from Line 1 and enter result.	\$6,682,082
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	90%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$6,007,124
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$6,007

PROVIDER: California Nevada Methodist Homes, Inc.
COMMUNI: Forest Hill

**FORM 1-1
RESIDENT POPULATION**

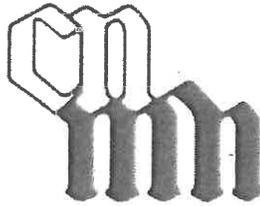
<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	179
[2]	Number at end of fiscal year	166
[3]	Total Lines 1 and 2	345
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	172.5
All Residents		
[6]	Number at beginning of fiscal year	186
[7]	Number at end of fiscal year	176
[8]	Total Lines 6 and 7	362
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	181
[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).	0.95

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1] Total Operating Expenses (including depreciation and debt service - interest only)	\$11,331,378
[a] Depreciation	\$734,670
[b] Debt Service (Interest Only)	\$116,100
[2] Subtotal (add Line 1a and 1b)	\$850,770
[3] Subtract Line 2 from Line 1 and enter result.	\$10,480,608
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	95%
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$9,988,425
[6] Total Amount Due (multiply Line 5 by .001)	x .001 \$9,988

PROVIDER California-Nevada Methodist Homes, Inc.
COMMUNITY Lake Park

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CALIFORNIA-NEVADA METHODIST HOMES

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2015 AND JUNE 30, 2014



CALIFORNIA-NEVADA METHODIST HOMES

TABLE OF CONTENTS JUNE 30, 2015 AND JUNE 30, 2014

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Statement of unrestricted revenue and expenses by division	23 - 26



CONTINUING CARE
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Independent Auditors' Report

Board of Trustees
California-Nevada Methodist Homes

We have audited the accompanying financial statements of California-Nevada Methodist Homes (a California not-for-profit corporation), which comprise the statements of financial position as of June 30, 2015 and June 30, 2014, and the related statements of activities, functional expenses and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information, Statement of Unrestricted Revenue and Expenses by Division, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Riva Accountancy Corporation

Certified Public Accountants

San Francisco, California
September 21, 2015

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2015

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CURRENT:			
Cash and cash equivalents	\$ 1,276,779	\$ 31,995	\$ 1,308,774
Investments, at fair value	6,866,428	-	6,866,428
Accounts and notes receivable (pledged):			
Trade, net of \$45,000 allowance for uncollectible accounts	487,565	-	487,565
Other	45,023	-	45,023
Accrued interest	6,609	-	6,609
Prepaid expenses	328,453	-	328,453
Bond reserve funds	3,725,493	-	3,725,493
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT ASSETS	12,736,350	31,995	12,768,345
 PROPERTY AND EQUIPMENT, at cost, net (encumbered)	 49,988,058	 -	 49,988,058
OTHER:			
Charitable remainder trust, at present value	11,500	-	11,500
Bond issuance cost, net	1,247,119	-	1,247,119
	<hr/>	<hr/>	<hr/>
	\$ 63,983,027	\$ 31,995	\$ 64,015,022
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES</u>			
CURRENT:			
Accounts payable - trade	\$ 1,206,133	\$ -	\$ 1,206,133
Payroll payable	145,774	-	145,774
Bond payable	755,000	-	755,000
Line of Credit	500,000	-	500,000
 Accrued liabilities:			
Salaries and wages	180,388	-	180,388
Compensated absences	919,511	-	919,511
Accrued interest	725,625	-	725,625
Other	5,099	-	5,099
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	4,437,530	-	4,437,530
 LONG-TERM:			
Accrued severance pay	141,269	-	141,269
Entrance deposits	197,924	-	197,924
Refundable entrance fees	13,804,100	-	13,804,100
Deferred revenue from entrance fees	22,716,320	-	22,716,320
Deferred compensation	110,129	-	110,129
Bonds payable	28,506,417	-	28,506,417
Other	83,578	-	83,578
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	69,997,267	-	69,997,267
 NET ASSETS	 (6,014,240)	 31,995	 (5,982,245)
	<hr/>	<hr/>	<hr/>
	\$ 63,983,027	\$ 31,995	\$ 64,015,022
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See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2014

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total (Restated)</u>
CURRENT:			
Cash and cash equivalents	\$ 2,203,848	\$ 68,193	\$ 2,272,041
Investments, at fair value	7,262,389	-	7,262,389
Accounts and notes receivable (pledged):			
Trade, net of \$21,360 allowance for uncollectible accounts	468,790	-	468,790
Other	29,259	-	29,259
Accrued interest	8,622	-	8,622
Prepaid expenses	286,316	-	286,316
Bond reserve funds	3,695,842	-	3,695,842
	<hr/>		<hr/>
TOTAL CURRENT ASSETS	13,955,066	68,193	14,023,259
 PROPERTY AND EQUIPMENT, at cost, net (encumbered)	 51,307,270	 -	 51,307,270
OTHER:			
Charitable remainder trust, at present value	65,400	-	65,400
Bond issuance cost, net	1,335,145	-	1,335,145
	<hr/>		<hr/>
	\$ 66,662,881	\$ 68,193	\$ 66,731,074
	<hr/> <hr/>		<hr/> <hr/>
 <u>LIABILITIES</u> 			
CURRENT:			
Accounts payable - trade	\$ 476,529	-	\$ 476,529
Payroll payable	187,060	-	187,060
Bond payable	720,000	-	720,000
Note payable	173,611	-	173,611
 Accrued liabilities:			
Salaries and wages	207,834	-	207,834
Compensated absences	805,785	-	805,785
Accrued interest	743,625	-	743,625
Other	3,661	-	3,661
	<hr/>		<hr/>
TOTAL CURRENT LIABILITIES	3,318,105	-	3,318,105
 LONG-TERM:			
Accrued severance pay	135,095	-	135,095
Entrance deposits	375,853	-	375,853
Refundable entrance fees	13,904,100	-	13,904,100
Deferred revenue from entrance fees	24,548,342	-	24,548,342
Deferred compensation	110,129	-	110,129
Bonds payable	29,284,437	-	29,284,437
Other	59,119	-	59,119
	<hr/>		<hr/>
TOTAL LIABILITIES	71,735,180	-	71,735,180
 NET ASSETS (RESTATED)	 (5,072,299)	 68,193	 (5,004,106)
	<hr/>		<hr/>
	\$ 66,662,881	\$ 68,193	\$ 66,731,074
	<hr/> <hr/>		<hr/> <hr/>

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2015			Year Ended June 30, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total (RESTATED)
REVENUE:						
Resident fees	\$12,458,761	\$ -	\$ 12,458,761	\$ 11,796,010	\$ -	\$ 11,796,010
Patient fees	3,547,096	-	3,547,096	3,891,701	-	3,891,701
Amortization of entrance fees	3,197,088	-	3,197,088	2,174,852	-	2,174,852
Interest and dividend income	128,110	-	128,110	126,478	-	126,478
Rental income	97,937	-	97,937	44,584	-	44,584
Gifts, bequests and grants	9,687	279,652	289,339	-	91,812	91,812
Change in present value of charitable remainder trust	(2,400)	-	(2,400)	(2,600)	-	(2,600)
Unrealized gains (losses) on investments	(50,517)	-	(50,517)	232,921	-	232,921
Realized gains on sale of investments	39,759	-	39,759	33,971	-	33,971
Realized gains on sale of equipment	-	-	-	263	-	263
Miscellaneous	84,133	-	84,133	76,378	-	76,378
Net assets released from restrictions:						
Satisfaction of program restrictions	315,850	(315,850)	-	83,518	(83,518)	-
TOTAL REVENUE	19,825,504	(36,198)	19,789,306	18,458,076	8,294	18,466,370
EXPENSES:						
Program services:						
Forest Hill Manor	8,983,092	-	8,983,092	8,758,968	-	8,758,968
Lake Park Retirement Residence	10,678,633	-	10,678,633	10,631,699	-	10,631,699
Rental properties	35,805	-	35,805	37,439	-	37,439
Total program services	19,697,530	-	19,697,530	19,428,106	-	19,428,106
Supporting services:						
Management and general	1,051,115	-	1,051,115	995,426	-	995,426
Fundraising	18,800	-	18,800	19,319	-	19,319
TOTAL EXPENSES	20,767,445	-	20,767,445	20,442,851	-	20,442,851
INCREASE (DECREASE) IN NET ASSETS:	(941,941)	(36,198)	(978,139)	(1,984,775)	8,294	(1,976,481)
NET ASSETS, beginning of year	(5,072,299)	68,193	(5,004,106)	(1,411,570)	59,899	(1,351,671)
Cumulative change in accounting method	-	-	-	(1,675,954)	-	(1,675,954)
NET ASSETS, end of year (JUNE 30, 2014 RESTATED)	\$ (6,014,240)	\$ 31,995	\$ (5,982,245)	\$ (5,072,299)	\$ 68,193	\$ (5,004,106)

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	Program Services				Supporting Services		Total Expenses
	Forest Hill	Lake Park	Rental Properties	Total	Management and General	Fundraising	
Program expenses:							
Medical services	\$ 1,143,368	\$ 1,597,291	\$ -	\$ 2,740,659	\$ -	\$ -	\$ 2,740,659
Food and food services	1,364,035	2,914,646	-	4,278,681	-	-	4,278,681
Administration	887,820	1,100,964	2,753	1,991,537	1,003,136	-	2,994,673
Marketing	504,895	602,271	-	1,107,166	-	-	1,107,166
Housekeeping	363,402	594,299	-	957,701	-	-	957,701
Utilities	324,876	599,570	8,703	933,149	13,785	-	946,934
Assisted living	356,820	1,032,358	-	1,389,178	-	-	1,389,178
Maintenance and operations	384,339	636,224	7,008	1,027,571	7,391	-	1,034,962
Medical care	530,033	181,751	-	711,784	-	-	711,784
Laundry	36,358	1,786	-	38,144	-	-	38,144
Activities	189,956	310,575	-	500,531	-	-	500,531
Social services	-	36,540	-	36,540	-	-	36,540
Fundraising	-	-	-	-	-	18,800	18,800
Property taxes and insurance	100,190	195,531	6,512	302,233	-	-	302,233
Total program expenses	6,186,092	9,803,806	24,976	16,014,874	1,024,312	18,800	17,057,986
Other expenses:							
Depreciation	1,381,023	734,670	10,800	2,126,493	26,803	-	2,153,296
Amortization of bond issuance costs	80,984	7,042	-	88,026	-	-	88,026
Investment expenses	3,846	6,065	19	9,930	-	-	9,930
Interest	1,316,647	117,909	10	1,434,566	-	-	1,434,566
Bad debt	14,500	9,141	-	23,641	-	-	23,641
Total other expenses	2,797,000	874,827	10,829	3,682,656	26,803	-	3,709,459
TOTAL EXPENSES	\$ 8,983,092	\$ 10,678,633	\$ 35,805	\$ 19,697,530	\$ 1,051,115	\$ 18,800	\$ 20,767,445

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

	Program Services				Supporting Services		Total Expenses
	Forest Hill	Lake Park	Rental Properties	Total	Management and General	Fundraising	
Program expenses:							
Medical services	\$ 1,124,985	\$ 1,515,480	\$ -	\$ 2,640,465	\$ -	\$ -	\$ 2,640,465
Food and food services	1,293,759	2,842,527	-	4,136,286	-	-	4,136,286
Administration	870,761	1,046,039	629	1,917,429	943,869	-	2,861,298
Marketing	533,855	508,657	-	1,042,512	1,848	-	1,044,360
Housekeeping	351,402	621,473	-	972,875	-	-	972,875
Utilities	327,524	584,651	7,729	919,904	12,542	-	932,446
Assisted living	330,752	906,574	-	1,237,326	-	-	1,237,326
Maintenance and operations	358,204	658,238	10,936	1,027,378	11,069	-	1,038,447
Medical care	441,584	375,693	-	817,277	-	-	817,277
Laundry	30,853	3,842	-	34,695	-	-	34,695
Activities	175,668	342,708	-	518,376	-	-	518,376
Social services	-	35,565	-	35,565	-	-	35,565
Fundraising	-	-	-	-	-	19,319	19,319
Property taxes and insurance	94,625	181,001	6,969	282,595	-	-	282,595
Total program expenses	5,933,972	9,622,448	26,263	15,582,683	969,328	19,319	16,571,330
Other expenses:							
Depreciation	1,378,175	809,451	11,171	2,198,797	25,989	-	2,224,786
Amortization of bond issuance costs	86,795	7,547	-	94,342	-	-	94,342
Investment expenses	3,703	5,624	4	9,331	109	-	9,440
Interest	1,354,267	128,778	1	1,483,046	-	-	1,483,046
Bad debt	2,056	57,851	-	59,907	-	-	59,907
Total other expenses	2,824,996	1,009,251	11,176	3,845,423	26,098	-	3,871,521
TOTAL EXPENSES	\$ 8,758,968	\$ 10,631,699	\$ 37,439	\$ 19,428,106	\$ 995,426	\$ 19,319	\$20,442,851

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF CASH FLOWS

	<u>Year Ended</u> <u>June 30, 2015</u>	<u>(RESTATED)</u> <u>Year Ended</u> <u>June 30, 2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (978,139)	\$(1,976,481)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	\$ 2,153,296	\$ 2,224,786
Amortization of bond issuance costs	88,026	94,343
Amortization of bond premium	(23,020)	(26,938)
Amortization of entrance fees	(3,197,088)	(2,174,852)
Entrance fees received	1,265,065	6,812,656
Realized gain on sale of investments	(39,759)	(33,971)
Realized loss on disposal of property and equipment	-	264
Unrealized (gain) loss on investments	50,517	(216,921)
Change in present value of charitable remainder trust	2,400	2,600
Decrease (increase) in:		
Accounts and notes receivable - trade	(18,775)	(201,822)
Other receivables	(15,764)	14,074
Accrued interest receivable	2,013	5,398
Prepaid expenses	(42,137)	(22,030)
Charitable remainder trust distribution	51,500	-
Increase (decrease) in:		
Accounts payable	729,604	(267,206)
Payroll payable	(41,286)	(43,093)
Accrued liabilities	100,351	(69,729)
Entrance deposits	(177,929)	351,853
	<u>887,014</u>	<u>6,449,412</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(91,125)	4,472,931
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(834,083)	(1,387,237)
Proceeds from sale of investments	1,668,325	1,740,780
Decrease in bond reserve funds	(29,651)	(52,499)
Purchase of investments	(1,283,122)	(2,689,543)
	<u>(478,531)</u>	<u>(2,388,499)</u>
NET CASH USED BY INVESTING ACTIVITIES	(478,531)	(2,388,499)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from line of credit	500,000	-
Payments on short term note	(173,611)	-
Payments on long term debt	(720,000)	(1,101,667)
	<u>(393,611)</u>	<u>(1,101,667)</u>
NET CASH USED BY FINANCING ACTIVITIES	(393,611)	(1,101,667)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(963,267)	982,765
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,272,041</u>	<u>1,289,276</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,308,774</u>	<u>\$ 2,272,041</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 1,457,586</u>	<u>\$ 1,509,984</u>

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015 AND JUNE 30, 2014

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

California-Nevada Methodist Homes (the Corporation) is a non-profit charitable corporation with a primary mission of enhancing the well-being of seniors for the remaining years of their lives through the creation and ethical administration of residential and health care facilities in which the independence, dignity, traditional values and individual rights of each person are held in high regard.

Financial statement format:

The Corporation classifies its net assets and activities into one of three categories: unrestricted, temporarily restricted and permanently restricted. Descriptions of these categories are as follows:

Unrestricted: Those net assets and activities which represent the portion of expendable funds that are available to support operations. A portion of these net assets may be designated by the Board of Trustees for specific purposes.

Temporarily Restricted: Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

Cash and cash equivalents:

Cash and cash equivalents are considered to be short-term, highly liquid investments with original maturities of three months or less.

Accounts receivable:

Accounts receivable represent amounts billed but not yet collected. The Corporation provides an allowance for doubtful accounts based on management's evaluation of a current aging of the accounts. It is the corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Investments:

The Corporation reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

The Corporation invests in various investments. Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015 AND JUNE 30, 2014

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Professional accounting standards established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under professional accounting standards are described as follows:

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

Equity securities, debt securities, and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

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

Depreciation:

The Corporation computes depreciation on its property and equipment using the straight-line method of accounting over useful lives ranging from 5 to 50 years.

Depreciation is a non-cash adjustment to Assets on the "Statement of Financial Position". As of June 30, 2014, Cumulative depreciation is \$32,269,270. (See Note 8).

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015 AND JUNE 30, 2014

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Amortization of deferred income - entrance fees:

The Entrance Fee and Continuing Care Agreements between the Corporation and the residents provide for the payment of an entrance fee. Entrance fees are used for general purposes, including support of operations, debt retirement and capital acquisitions. Refundable entrance fees are held on the balance sheet and not amortized. The amortizable fees are recognized as revenue on a straight-line method of accounting over the expected remaining life of the residents as recomputed actuarially at the end of each year. In the case of refundable entrance fee contracts, and upon the death of the resident, the unamortized amount of the entrance fee taken into income is reduced by the amount of the refund embodied in the contract.

Deferred revenue from entrance fees is treated as a long term liability on the "Statement of Financial Position". Only a portion of this deferred revenue, however, is subject to refund provisions. As of June 30, 2015, the amount of deferred revenue not subject to refund provisions is \$22,716,320. (See Note 12).

Amortization of bond issuance cost:

Certain costs related to the bond issue have been capitalized and are being amortized using the straight line method over the life of the bond.

Amortization of bond premium:

The premium on issuance of the bonds is being amortized to interest expense over the life of the bonds.

Income taxes:

The Corporation has received tax-exempt status under the Internal Revenue Code Section 501(c)(3) and under the California Revenue Code Section 23701(d).

Reclassifications:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

Note 2. NATURE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents, investments and trade accounts receivable. Cash and cash equivalents were held in financial institutions in amounts exceeding the guaranteed amounts of the Federal Deposit Insurance Corporation. Trade accounts receivable are due from Medicare, Medi-Cal and private sources. Investments are held at brokerage firms in amounts which may exceed the guaranteed amount of the Securities Investor Protection Corporation.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015 AND JUNE 30, 2014

Note 4. STATUTORY LIQUID ASSET RESERVE:

Effective January 1, 2005 the State of California Health and Safety Code Section 1792 requires the Corporation to hold reserves to cover its long-term debt service and seventy-five days of net operating expenses. The Corporation is not required to segregate these reserves, and the reserves may be held as cash, investments or letters of credit. The Corporation's assets held by the Tax Exempt Bond Trustee, Union Bank can be used to satisfy this requirement. At June 30, 2015 and June 30, 2014, the Corporation had a required reserve of \$4,950,887 and \$4,825,572, respectively, which were held as cash, cash equivalents and investments.

Note 5. INVESTMENTS:

Investments are stated at fair value. Fair value and cost as of June 30, 2015 and June 30, 2014 are summarized as follows:

Investment Type	June 30, 2015		June 30, 2014	
	Fair Value	Cost	Fair Value	Cost
Corporate equities	\$ 1,013,783	\$ 704,631	\$ 848,176	\$ 734,171
Debt securities	2,433,199	2,553,138	2,229,389	2,100,632
Certificate of deposits	3,419,446	3,439,014	4,184,824	4,210,664
	<u>\$ 6,866,428</u>	<u>\$ 6,696,783</u>	<u>\$ 7,262,389</u>	<u>\$ 7,045,467</u>

Note 6. FAIR VALUE MEASUREMENTS:

The following tables sets forth by level, the fair value hierarchy, the Corporation's assets at fair value as of June 30, 2015 and June 30, 2014:

Assets at Fair Value as of June 30, 2015

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Corporate equities	\$ 1,013,783	\$ -	\$ -	\$ 1,013,783
Debt securities	2,433,199	-	-	2,433,199
Charitable remainder trust	-	-	11,500	11,500
Total assets at fair value	<u>\$ 3,446,982</u>	<u>\$ -</u>	<u>\$ 11,500</u>	<u>\$ 3,458,482</u>

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015 AND JUNE 30, 2014

Note 6. FAIR VALUE MEASUREMENTS (Continued):

Assets at Fair Value as of June 30, 2014

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Corporate equities	\$ 848,176	\$ -	\$ -	\$ 848,176
Debt securities	2,229,389	-	-	2,229,389
Charitable remainder trust	-	-	65,400	65,400
Total assets at fair value	<u>\$ 3,077,565</u>	<u>\$ -</u>	<u>\$ 65,400</u>	<u>\$ 3,142,965</u>

Level 3 Gains and Losses:

The following table sets forth a summary of changes in the fair value of the Corporation's level 3 assets for the years ended June 30, 2015 and June 30, 2014:

	June 30, 2015 Charitable Remainder Trust	June 30, 2014 Charitable Remainder Trust
Balance, beginning of year	\$ 65,400	\$ 68,000
Contributions	-	-
Unrealized gains/losses relating to instruments held at the reporting date	(2,400)	(2,600)
Purchases, sales, issuances, and settlements (net)	(51,500)	-
Balance, end of year	<u>\$ 11,500</u>	<u>\$ 65,400</u>

Note 7. BOND RESERVE FUNDS:

The bond reserve funds are held by a trustee in the following accounts:

	June 30,	
	2015	2014
Revenue fund	\$ 725,758	\$ 743,709
Bond reserve	2,244,735	2,232,133
Principal	755,000	720,000
Total bond reserve funds	<u>\$ 3,725,493</u>	<u>\$ 3,695,842</u>

The trustee has invested the funds in governmental money market funds. These earnings will be accumulated and used to fund bond bi-annual interest payments. During the years ended June 30, 2015 and June 30, 2014 bond payments in the amount of \$720,000 and \$685,000, respectively were made from the principal fund.

As of July 1, 2015, the reserve had a surplus, the excess of which was moved to the trustee held as a revenue fund.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015 AND JUNE 30, 2014

Note 8. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	June 30,	
	2015	2014
Land	\$ 834,624	\$ 834,624
Land improvements	268,306	268,306
Buildings and improvements	76,999,082	76,305,661
Furniture and equipment	4,098,266	3,982,045
Construction in progress	57,050	32,608
Totals	82,257,328	81,423,244
Less accumulated depreciation	32,269,270	30,115,974
Property and equipment, net	<u>\$ 49,988,058</u>	<u>\$ 51,307,270</u>

The balances of accumulated depreciation by category are as follows:

	June 30,	
	2015	2014
Land improvements	\$ 180,962	\$ 171,240
Buildings and improvements	28,755,902	26,790,792
Furniture and equipment	3,332,406	3,153,942
Totals	<u>\$ 32,269,270</u>	<u>\$ 30,115,974</u>

Note 9. CHARITABLE TRUSTS:

The Corporation has been named as a beneficiary of Charitable Remainder Trusts. The income beneficiaries of Trust B are entitled to a payment each year calculated at 13.6% of the fair market value of the trust assets as of the date of contribution. Trust B was distributed during the year ended June 30, 2015. The income beneficiaries of Trust C are entitled to a payment each year calculated at 6% of the fair market value of the trust assets as of the first day of each taxable year of the trust.

The Trusts are stated at the present value of the projected balance of the Trusts at termination, net of the amounts due to the income beneficiaries over the term of the Trusts. Changes in the calculated net present value are reported in the statement of activities annually.

The key assumptions used in net present value calculations for the Trusts are as follows:

	June 30, 2015
	Trust C
Present value	\$ 11,500
Trust assets at fair value	\$ 16,750
Projected term of the trusts based on actuarial tables	11.20 years
Projected growth rate net of payments to income beneficiaries	0.00 %
Risk-free discount rate	3.40 %

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015 AND JUNE 30, 2014

Note 9. CHARITABLE TRUSTS (Continued):

	June 30, 2014	
	Trust B	Trust C
Present value	\$ 51,500	\$ 13,900
Trust assets at fair value	\$ 61,100	\$ 20,600
Projected term of the trusts based on actuarial tables	4.70 years	11.70 years
Projected growth rate net of payments to income beneficiaries	0.00 %	0.00 %
Risk-free discount rate	3.70 %	3.40 %

Note 10. LINE OF CREDIT:

The Corporation has available a \$500,000 line of credit with a bank, maturing January 31, 2016. The interest rate on the line is the prime rate plus .5% (currently 3.30%). There was \$500,000 outstanding at June 30, 2015.

Note 11. NOTE PAYABLE:

The Corporation has a note payable to a financial institution, payable in monthly installments of \$37,044 including interest at 4.25%. The note payable balance was \$173,611 as of June 30, 2014 and matured in November 2014.

Note 12. TAX EXEMPT BOND PAYABLE:

The construction of the new buildings at Forest Hill and a portion of the costs incurred in the expansion of the Lake Park skilled nursing unit were financed by the Corporation through the issuance of tax-exempt California Health Facilities Financing Authority Insured Revenue Bonds (California-Nevada Methodist Homes), Series 2006 (the "Bonds"), in the aggregate principal amount of \$42,280,000. The Office of Statewide Health Planning and Development of the State of California insures the principal and interest payments on the Bonds. Union Bank of California serves as the trustee. The Bonds are secured by the property, accounts receivable and equipment of the Corporation. The Bonds have a final maturity date of 2036, but were subject to mandatory redemptions beginning in 2011.

The Serial Bonds for the years 2012 - 2016 will be repaid by the Corporation making twelve monthly payments each year to the Trustee. The payments will be equal to the sum of two future interest payments (January 1 and July 1) and the one annual redemption payment (July 1). For the year ended June 30, 2015, the Corporation made twelve payments of \$183,847 totaling \$2,206,164 to fund the Trustee interest payments totaling \$1,451,250 and to fund the redemption of the 2016 Serial Bonds of \$755,000 due on July 1, 2015.

The Term Bonds due in 2026 and 2036 will be repaid by the Corporation making twelve monthly payments each year to the Trustee, beginning in 2017. The payments each year will approximate \$2.2 million a year, funding the sum of each year's two interest payments (January 1 and July 1), with the remaining portion of the payments being deposited into the Trustee held Bond Sinking Fund that will be used to retire a portion of the Term Bonds each year (July 1).

For all bonds, according to the indenture requirements, the monthly payments made by the Corporation, as calculated and administered by the trustee, include both interest and principal amounts. Thus, at the time of each bond redemption, all principal due will have been accumulated and no additional principal payment will be required.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015 AND JUNE 30, 2014

Note 12. TAX EXEMPT BOND PAYABLE (Continued):

The Corporation is required to maintain a debt service fund equal to approximately one year's debt service with the trustee, which was met at June 30, 2015 and June 30, 2014.

The Corporation is required to meet certain covenants. The Corporation is receiving a waiver for these covenants at June 30, 2015.

The stated fixed interest rate of the Bonds is 5.0%. The bonds were issued at a premium of \$618,163 which is being amortized over the life of the bonds.

Bond maturity dates are as follows:

Maturity Date	Amount	Type of Bonds
2015	\$ 755,000	Serial
2016	790,000	Serial
2017 - 2026	10,455,000	Term
2027 - 2036	17,025,000	Term
Total	\$ 29,025,000	

Note 13. PRIOR PERIOD ADJUSTMENT:

In July 2012, the FASB amended the accounting for refundable entrance fees. Refundable entrance fees are no longer amortized, but instead carried on the balance sheet as a liability. This revision retroactively changes the amount of amortization of entrance fees the organization should have recognized. This change is effective for fiscal periods beginning after December 13, 2013. This change resulted in a cumulative change to net assets of approximately \$1.6 million as of June 30, 2013, and a restatement of the amortization of entrance fees of \$500K for the year ended June 30, 2014.

Net assets at June 30, 2013 as originally reported	\$ (1,315,671)
Effect of cumulative change to net assets	(1,675,954)
Net assets at June 30, 2013 restated	\$ (3,027,625)
Decrease in net assets for the year ended June 30, 2014 as originally reported	(1,452,858)
Effective change to the year ended June 30, 2014	(525,623)
Net assets at June 30, 2014 as restated	\$ (5,004,106)

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015 AND JUNE 30, 2014

Note 14. DEFERRED REVENUE FROM ENTRANCE FEES:

The Corporation has several different types of contracts. Type A entrance fee agreements provides for the right of each resident to terminate the agreement and be entitled to a refund of the original fee less 1.5% of the original fee for each month of residency. A Type B entrance fee agreement provides for the right of each resident to terminate the agreement and be entitled to a refund of the original fee less 2.08% of the original fee for each month of residency. For guaranteed refundable contracts the refund is never less than 90% of the original fee. At June 30, 2015 and June 30, 2014, unamortized entrance fees (deferred revenue) were \$22,716,320 and \$24,548,342, respectively. At June 30, 2015 and June 30, 2014, refundable deposits were \$13,804,100 and \$13,904,100, respectively.

Note 15. SELECTIVE MANAGEMENT COMPENSATION PLAN:

The Corporation has agreements with certain of its key employees. The agreements are designed to provide benefits to be paid to these employees in installments upon retirement or in the event of their death, to a designated beneficiary. Accordingly, the Corporation has accrued deferred compensation of \$110,129 at June 30, 2015 and June 30, 2014.

Note 16. FUTURE SERVICE OBLIGATION:

Professional accounting standards require the Corporation to record a liability recognizing an obligation to provide future services and the use of the facilities to all current residents if the net present value of future net cash out-flows, adjusted for certain noncash items, exceeds the present value of future net cash in-flows. At June 30, 2015 and June 30, 2014 the estimated future service obligation was \$0. The interest rate used to discount the liability was 5.5% in both 2015 and 2014.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015 AND JUNE 30, 2014

Note 17. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consisted of the following for the year ended June 30, 2014:

	Beginning Balance	Contributions	Released from Restriction	Ending Balance
Forest Hill:				
Service enhancement	\$ 1,046	\$ -	\$ -	\$ 1,046
Resident support	2,750	8,000	5,500	5,250
Facility undesignated	21,711	17,807	38,707	811
Capital improvement	<u>10,035</u>	<u>-</u>	<u>-</u>	<u>10,035</u>
Total Forest Hill	<u>35,542</u>	<u>25,807</u>	<u>44,207</u>	<u>17,142</u>
Lake Park:				
Service enhancement	23,563	-	11,995	11,568
Capital improvement	-	24,190	20,905	3,285
Facility undesignated	<u>9,088</u>	<u>229,655</u>	<u>238,743</u>	<u>-</u>
Total Lake Park	<u>32,651</u>	<u>253,845</u>	<u>271,643</u>	<u>14,853</u>
Total temporarily restricted net assets	<u>\$ 68,193</u>	<u>\$ 279,652</u>	<u>\$ 315,850</u>	<u>\$ 31,995</u>

Temporarily restricted net assets consisted of the following for the year ended June 30, 2014:

	Beginning Balance	Contributions	Released from Restriction	Ending Balance
Forest Hill:				
Service enhancement	\$ 1,046	\$ -	\$ -	\$ 1,046
Resident support	-	6,500	3,750	2,750
Facility undesignated	12,820	17,529	8,638	21,711
Capital improvement	<u>11,035</u>	<u>-</u>	<u>1,000</u>	<u>10,035</u>
Total Forest Hill	<u>24,901</u>	<u>24,029</u>	<u>13,388</u>	<u>35,542</u>
Lake Park:				
Service enhancement	26,410	1,020	3,867	23,563
Facility undesignated	<u>8,588</u>	<u>66,763</u>	<u>66,263</u>	<u>9,088</u>
Total Lake Park	<u>34,998</u>	<u>67,783</u>	<u>70,130</u>	<u>32,651</u>
Total temporarily restricted net assets	<u>\$ 59,899</u>	<u>\$ 91,812</u>	<u>\$ 83,518</u>	<u>\$ 68,193</u>

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015 AND JUNE 30, 2014

Note 18. MULTI-EMPLOYER RETIREMENT PLAN:

The Corporation contributes to a multi-employer defined benefit union pension plan that covers all Lake Park employees under collective bargaining agreements. In accordance with the plans, the Corporation makes monthly contributions based on employee hours worked. For the years ended June 30, 2015 and June 30, 2014, the Corporation contributed to the union pensions in the amount of \$41,259 and \$43,668, respectively. Management is not able to determine whether or not there is any unfunded union pension liability at June 30, 2015 as information relating to the plan's funded status each year is not available at the date the financial statements are available to be issued. Balances will vary depending on market conditions. The Corporation has made all required payments during the year. The risks of participating in this multi-employer plan are different from single-employer plans in the following aspects:

- Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Corporation chooses to stop participating in its multi-employer plan, the Corporation may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Corporation's participation in this plan for the annual period ended June 30, 2015, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and three digit plan number. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available to 2013 is for the plan's year end at December 31, 2013. The zone status is based on information that the Corporation received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreements to which the plan is subject.

The Corporation's contributions do not represent more than 5 percent of total contributions to the plan.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Zone Status 2012</u>	<u>FIP/RP Status Implemented</u>	<u>Surcharge Imposed</u>	<u>Expiration Date of Collective- Bargaining Agreement</u>
SEIU National Industry Pension Fund	52-6148540	Red/Critical	Yes	No	7/31/2015

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015 AND JUNE 30, 2014

Note 19. INTEREST EXPENSE:

Interest expense consists of the following:

	Year Ended	
	June 30,	
	2015	2014
Bond interest	\$ 1,451,250	\$ 1,487,250
Amortized bond premium	(23,020)	(26,938)
Credit line interest	4,390	22,734
Short term note	<u>1,946</u>	<u>-</u>
Totals	<u>\$ 1,434,566</u>	<u>\$ 1,509,984</u>

Note 20. PRO FORMA INFORMATION:

Pro forma of the Statement of Financial Position without deferred income and depreciation.

In the absence of depreciation, total assets on the "Statement of Financial Position" as of June 30, 2015 would change from \$64,015,022 to \$96,284,292. If deferred income from entrance subscriptions was reduced by the amount not subject to refund provisions, total liabilities on the "Statement of Financial Position" as of June 30, 2014 would change from \$64,015,022 to \$43,295,548. Thus, Total Net Assets would change from (\$1,984,775) to \$56,986,214.

Note 21. SUBSEQUENT EVENTS:

Subsequent to year end the organization began the process to refinance the outstanding bonds.

Management has evaluated subsequent events through September 21, 2015, the date which the financial statements were available for issue. No significant events were identified that require any additional disclosure.

CALIFORNIA-NEVADA METHODIST HOMES

SUPPLEMENTAL INFORMATION

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF UNRESTRICTED REVENUE AND EXPENSES BY DIVISION

YEAR ENDED JUNE 30, 2015

	Forest Hill	Lake Park	Interest and Rental Properties	Total
REVENUE:				
Resident fees	\$ 4,053,614	\$ 8,405,148	\$ -	\$ 12,458,762
Patient fees:				
Medicare	1,835,671	344,341	-	2,180,012
Private	591,228	775,856	-	1,367,084
Amortization of entrance fees	1,444,234	1,752,854	-	3,197,088
Interest and dividend income	56,317	71,573	220	128,110
Rental income	36,655	-	61,282	97,937
Gifts, bequests and grants, net	-	7,287	-	7,287
Unrealized gains (losses) on investments	-	-	(50,517)	(50,517)
Realized gains on investments	-	-	39,759	39,759
Realized gains (losses) on disposal of assets	-	-	-	-
Miscellaneous	24,908	59,225	-	84,133
Net assets released from restrictions	44,207	271,643	-	315,850
TOTAL REVENUE	8,086,834	11,687,927	50,744	19,825,505
EXPENSES:				
Facility operations:				
Medical services	1,143,368	1,597,291	-	2,740,659
Food and food services	1,364,035	2,914,646	-	4,278,681
Administration	887,820	1,100,964	2,753	1,991,537
Marketing	504,895	602,271	-	1,107,166
Housekeeping	363,402	594,299	-	957,701
Utilities	324,876	599,570	8,703	933,149
Assisted living	356,820	1,032,358	-	1,389,178
Maintenance and operations	384,339	636,224	7,008	1,027,571
Medical care	530,033	181,751	-	711,784
Laundry	36,358	1,786	-	38,144
Activities	189,956	310,575	-	500,531
Social services	-	36,540	-	36,540
Property taxes and insurance	100,190	195,531	6,512	302,233
Total operating expenses before management and general allocation	6,186,092	9,803,806	24,976	16,014,874
Management and general allocation	407,854	641,254	2,007	1,051,115
Fundraising allocation	7,309	11,491	-	18,800
Total operating expenses	\$ 6,601,255	\$ 10,456,551	\$ 26,983	\$ 17,084,789

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF UNRESTRICTED REVENUE AND EXPENSES BY DIVISION (Continued)

YEAR ENDED JUNE 30, 2015

	Forest Hill	Lake Park	Interest and Rental Properties	Total
Other expenses:				
Depreciation	\$ 1,381,023	\$ 734,670	\$ 10,800	\$ 2,126,493
Amortization of bond issuance costs	80,984	7,042	-	88,026
Interest	1,316,647	117,909	10	1,434,566
Investment costs	3,846	6,065	19	9,930
Bad debts	14,500	9,141	-	23,641
	2,797,000	874,827	10,829	3,682,656
Total other expenses				
	9,398,255	11,331,378	37,812	20,767,445
TOTAL EXPENSES				
	\$ (1,311,421)	\$ 356,549	\$ 12,932	\$ (941,940)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS				

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF UNRESTRICTED REVENUE AND EXPENSES BY DIVISION

YEAR ENDED JUNE 30, 2014

	Forest Hill	Lake Park	Interest and Rental Properties	RESTATED Total
REVENUE:				
Resident fees	\$ 3,678,891	\$ 8,117,119	\$ -	\$ 11,796,010
Patient fees:				
Medicare	1,392,966	863,481	-	2,256,447
Private	847,471	787,783	-	1,635,254
Amortization of entrance fees	1,010,854	1,163,998	-	2,174,852
Interest and dividend income	56,770	69,481	227	126,478
Rental income	34,620	-	9,964	44,584
Gifts, bequests and grants, net	-	(2,600)	-	(2,600)
Unrealized gains (losses) on investments	-	-	232,921	232,921
Realized gains on investments	-	-	33,971	33,971
Realized gains (losses) on disposal of asset	-	-	263	263
Miscellaneous	26,208	50,169	-	76,377
Net assets released from restrictions	-	83,518	-	83,518
TOTAL REVENUE	7,047,780	11,132,949	277,346	18,458,075
EXPENSES:				
Facility operations:				
Medical services	1,124,985	1,515,480	-	2,640,465
Food and food services	1,293,759	2,842,527	-	4,136,286
Administration	870,761	1,046,039	629	1,917,429
Marketing	533,855	508,657	-	1,042,512
Housekeeping	351,402	621,473	-	972,875
Utilities	327,524	584,651	7,729	919,904
Assisted living	330,752	906,574	-	1,237,326
Maintenance and operations	358,204	658,238	10,936	1,027,378
Medical care	441,584	375,693	-	817,277
Laundry	30,853	3,842	-	34,695
Activities	175,668	342,708	-	518,376
Social services	-	35,565	-	35,565
Property taxes and insurance	94,625	181,001	6,969	282,595
Total operating expenses before management and general allocation	5,933,972	9,622,448	26,263	15,582,683
Management and general allocation	393,492	599,943	1,991	995,426
Fundraising allocation	7,652	11,667	-	19,319
Total operating expenses	\$ 6,335,116	\$ 10,234,058	\$ 28,254	\$ 16,597,428

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF UNRESTRICTED REVENUE AND EXPENSES BY DIVISION (Continued)

YEAR ENDED JUNE 30, 2014

	<u>Forest Hill</u>	<u>Lake Park</u>	<u>Interest and Rental Properties</u>	<u>RESTATED Total</u>
Other expenses:				
Depreciation	\$ 1,378,175	\$ 809,451	\$ 11,171	\$ 2,198,797
Amortization of bond issuance costs	86,795	7,547	-	94,342
Interest	1,354,267	128,778	1	1,483,046
Investment costs	3,703	5,624	3	9,330
Bad debts	2,056	57,851	-	59,907
	<u>2,824,996</u>	<u>1,009,251</u>	<u>11,175</u>	<u>3,845,422</u>
Total other expenses				
	<u>2,824,996</u>	<u>1,009,251</u>	<u>11,175</u>	<u>3,845,422</u>
TOTAL EXPENSES	<u>9,160,112</u>	<u>11,243,309</u>	<u>39,429</u>	<u>20,442,850</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ (2,112,332)</u>	<u>\$ (110,360)</u>	<u>\$ 237,917</u>	<u>\$ (1,984,775)</u>

See notes to financial statements.



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CONTINUING CARE
CONTRACTS BRANCH

Independent Auditors' Report

Board of Trustees
California-Nevada Methodist Homes

We have audited the accompanying continuing care contract report of California-Nevada Methodist Homes as of June 30, 2015 and the supplemental statement of cash flow - direct method for the year then ended. The continuing care contract report and supplemental statement are the responsibility of California-Nevada Methodist Homes' management. Our responsibility is to express an opinion on the continuing care contract report and supplemental statement 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 continuing care contract report and supplemental statement are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the continuing care contract report and supplemental statement. An audit of a continuing care contract report and supplemental statement also includes assessing conformity with the provisions of California Health and Safety Code Section 1792 in so far as it relates to accounting and reporting matters. We believe that our audit provides a reasonable basis for our opinion.

The continuing care contract report was prepared in conformity with the accounting practices prescribed by the California Department of Social Services pursuant to provisions of the California Health and Safety Code. This report is not intended to be a complete presentation of California-Nevada Methodist Homes' assets and liabilities on the basis of accounting described above.

In our opinion, such continuing care contract report and supplemental statement of cash flows present fairly, in all material respects, the continuing care contract requirements and cash flows of California-Nevada Methodist Homes as of and for the year ended June 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 California-Nevada Methodist Homes 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.

Rina Accountancy Corporation

Certified Public Accountants

San Francisco, California
September 21, 2015

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

	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
Long-Term Debt Obligation					
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
9					\$0
TOTAL:		\$0	\$0	0	\$0

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

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

PROVIDER: California-Nevada Methodist Homes, Inc.

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$2,171,250
2	Total from Form 5-2 bottom of Column (e)	\$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$2,171,250

PROVIDER: California-Nevada Methodist Homes, Inc.

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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$9,398,255</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$1,335,150</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u></u>	
	c. Depreciation	<u>\$1,381,023</u>	
	d. Amortization	<u>\$80,984</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$2,426,899</u>	
	f. Extraordinary expenses approved by the Department	<u></u>	
3	Total Deductions		<u>\$5,224,056</u>
4	Net Operating Expenses		<u>\$4,174,199</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$11,436</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u>\$857,712</u>

PROVIDER: California-Nevada Methodist Homes, Inc.

COMMUNITY: Forest Hill

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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$11,331,378</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$116,100</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u> </u>	
	c. Depreciation	<u>\$734,670</u>	
	d. Amortization	<u>\$7,042</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$1,120,197</u>	
	f. Extraordinary expenses approved by the Department	<u> </u>	
3	Total Deductions		<u>\$1,978,009</u>
4	Net Operating Expenses		<u>\$9,353,369</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$25,626</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$1,921,925</u></u>

PROVIDER: California-Nevada Methodist Homes, Inc.
COMMUNITY: Lake Park

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: California-Nevada Methodist Homes, Inc.
 Fiscal Year Ended: 6/30/2015

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 6/30/2015 and are in compliance with those requirements.

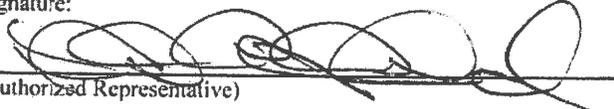
Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 6/30/2015 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$2,171,250
[2] Operating Expense Reserve Amount	\$2,779,637
[3] Total Liquid Reserve Amount:	\$4,950,887

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

<u>Qualifying Asset Description</u>	<u>Amount (market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	\$1,276,779	
[5] Investment Securities		\$6,866,428
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve*	\$2,244,735	(not applicable)
[10] Other: *See Note 7 to the 6/30/2015 Financial Statements, Bond Reserve (describe qualifying asset)		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	\$3,521,514 [12]	\$6,866,428
Reserve Obligation Amount: [13]	\$2,171,250 [14]	\$2,779,637
Surplus/(Deficiency): [15]	\$1,350,264 [16]	\$4,086,791

Signature:


 (Authorized Representative)

Date: 10/31/2015

President & CEO
 (Title)

ANNUAL RESERVE & FUNDS DISCLOSURE H&SC

SECTION 1790 A (2) & (3)

Provider Name: California-Nevada Methodist Homes, Inc.
 Fiscal Year Ended: 6/30/2015

Unrestricted Cash & Cash Equivalents (Page 4)

\$1,276,779

The Unrestricted funds are held in a bank account to fund operations.
 The first \$500,000 is held in a non-interest bearing checking account
 with the balance held in an investment sweep account.

Investments, at fair value (Page 4)

\$6,866,428

As found in the Note 5 to the Financial Statements, 6/30/2015,
 California-Nevada Methodist Homes holds part of its reserves in
 investments as follows:

Corporate equities	\$1,013,783
Debt securities	\$2,433,199
Certificates of deposit	\$3,419,446
	<u>\$6,866,428</u>

Bond reserve funds (Page 4)

\$3,725,493

Reconciles to Note 7 2015 column.

Revenue Fund	\$725,758
Bond reserve	\$2,244,735
Principal	\$755,000
	<u>\$3,725,493</u>

ANNUAL PER CAPITA COSTS DISCLOSURE

SECTION 1790 A (2)

Provider Name: California-Nevada Methodist Homes, Inc.

Fiscal Year Ended: 6/30/2015

Forest Hill Manor

Total Operating Expenses, Form 5-4 (1), Line 1	\$9,398,255
Mean number of all residents, Form 1-1 (1), Line 10	99

Per Capita costs	\$94,932
------------------	----------

Lake Park Retirement

Total Operating Expenses, Form 5-4 (2), Line 1	\$11,331,378
Mean number of all residents, Form 1-1 (2), Line 10	181

Per Capita costs	\$62,604
------------------	----------

Explanation to reconcile Forms to Financial Statements..

Form 1-2 (1)

Forest Hill: See Page 24 of the June 30, 2015 financial statements.

Total Operating Expense: Total Expenses, Forest Hill Manor column.

Depreciation: Depreciation, Forest Hill Manor column.

Debt service: Interest expense, reconciliation Form 5-1 below.

Form 1-2 (2)

Lake Park: See Page 24 of the June 30, 2015 financial statements.

Total Operating Expense: Total Expenses, Lake Park column.

Depreciation: Depreciation, Lake Park column.

Debt service: Interest expense, reconciliation Form 5-1 below.

Depreciation expense on Page 7, June 30, 2015 financial statements,
Total Expenses column \$2,163,296 ties to Statement of
Cash Flows - Direct Method (SCF-DM), Page 2, Depreciation.

Form 5-1

See Note 12. Maturity dates for each of the bond issues below are as of July 1 of each year shown. The portion of the bond interest was expensed in the amount of \$1,451,250 and is allocated on Form 5-1 according to the bonds listed below:

Maturity Date	Interest Rate	Face Amount	Interest Paid (FHM)	Interest Paid (LP)
2015	5.00%	\$755,000	\$34,730	\$3,020
2016	5.00%	\$790,000	\$36,340	\$3,160
2026	5.00%	\$10,455,000	\$480,930	\$41,820
2036	5.00%	\$17,025,000	\$783,150	\$68,100
Total Interest Paid:			\$1,335,150	\$116,100

Interest Expense on Page 7, Total Expenses column, Total Interest Expense, \$1,434,566 ties to SCF-DM, Page 1 after subtracting amortization of bond premium in the amount of \$23,020.

(SCF-DM, Payments of Interest \$1,457,586 - \$23,020 = \$1,434,566)

The schedule below is derived from Note 17, which provides a breakdown of Interest Expense in support of the \$1,451,250 in Bond Interest Expense.

Forest Hill Bond Interest expense	\$1,335,150
Lake Park Bond Interest expense	\$116,100
Total amortized Bond Premium	-\$23,020
Total allocated Credit Line Interest	\$4,390
Total allocated short term note Interest	\$1,946
Interest Expense line on Page 7, Total column of Program Services.	\$1,434,566

Form 5-4 (1)

Forest Hill Manor: See Page 24 of the June 30, 2015 financial statements.

Total Operating Expense: Total Expenses, Forest Hill Manor column.

Interest: See schedule 5-1 & explanation of Schedule 5-1 above. Ties to Forest Hill column, Interest.

Depreciation: Depreciation, Forest Hill Manor column = \$1,381,023

Amortization: Amortization of Bond Issuance Costs, Forest Hill Manor column = \$80,984

Form 5-4 (2)

Lake Park: See Page 24 of the June 30, 2015 financial statements.

Total Operating Expense: Total Expenses, Lake Park column.

Interest: See schedule 5-1 & explanation of Schedule 5-1 above. Ties to Lake Park column, Interest.

Depreciation: Depreciation, Lake Park column = \$734,670.

Amortization: Amortization of Bond Issuance Costs, Lake Park column = \$7,042.

Total depreciation expense on Page 7, \$2,126,493 ties to Statement of
Cash Flows - Direct Method (SCF-DM), Page 2, Depreciation

Total Amortization of Bond Issuance costs on Page 7, \$88,026 ties to Statement of
Cash Flows - Direct Method (SCF-DM), Page 2, Amortization of Bond Issuance Costs

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

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Date Prepared: 10/31/2015
NOV 03 2015

FACILITY NAME: Forest Hill
 ADDRESS: 551 Gibson Avenue, Pacific Grove, CA ZIP CODE: 93950 PHONE: 831-657-5200
 PROVIDER NAME: California Nevada Methodist Homes FACILITY OPERATOR: California Nevada Methodist Homes
 RELATED FACILITIES: Lake Park RELIGIOUS AFFILIATION: United Methodist Conference
 YEAR OPENED: 1954 # OF ACRES: 2.4 SINGLE STORY MULTI-STORY OTHER: _____ MILES TO SHOPPING CTR: 1/4
 MILES TO HOSPITAL: 6

NUMBER OF UNITS:	RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS – STUDIO:	<u>17</u>	ASSISTED LIVING: <u>18</u>
APARTMENTS – 1 BDRM:	<u>39 (4 Junior)</u>	SKILLED NURSING: <u>26</u>
APARTMENTS – 2 BDRM:	<u>27</u>	SPECIAL CARE: _____
COTTAGES/HOUSES:	<u>8</u>	DESCRIBE SPECIAL CARE: _____
RLU OCCUPANCY (%) AT YEAR END:	<u>61.2%</u>	

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

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% PRORATED TO 0% OTHER: _____

RANGE OF ENTRANCE FEES: \$ 44,500 TO \$ 430,000 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 30 days of Lifetime Assisted Living, 30 days of Skilled Nursing

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: N/A OTHER: N/A

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): See page 5 that follows

COMMON AREA AMENITIES	FACILITY SERVICES AND AMENITIES			
	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (<u>4</u> TIMES/MONTH)	<input checked="" type="checkbox"/> <input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (<u>1</u> OR <u>3</u> /DAY)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
BOWLING GREEN	<input 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 type="checkbox"/>
GOLF COURSE ACCESS	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	CABLE TV	<input type="checkbox"/> <input checked="" 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 checked="" type="checkbox"/> <input 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 checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/> <input type="checkbox"/>
TENNIS COURT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/> <input type="checkbox"/>
WORKSHOP	<input checked="" 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: California Nevada Methodist Homes - Forest Hill

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	\$ 14,965,312	\$ 15,187,920	\$ 16,282,961	\$ 16,628,416
LESS OPERATING EXPENSES (excluding depreciation, amortization, and interest)	\$ 15,377,095	\$ 16,042,538	\$ 16,640,672	\$ 17,091,557
NET INCOME FROM OPERATIONS	-\$ 411,783	-\$ 854,618	-\$ 357,711	-\$ 463,141
LESS INTEREST EXPENSE	\$ 1,581,862	\$ 1,529,908	\$ 1,483,046	\$ 1,434,566
PLUS CONTRIBUTIONS	\$ 583,534	\$ 9,490	\$ 83,518	\$ 315,850
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	-\$ 1,410,111	-\$ 2,375,036	-\$ 1,757,239	-\$ 1,581,857
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	\$ 3,524,611	\$ 6,060,418	\$ 6,812,656	\$ 1,087,136

DESCRIPTION OF SECURED DEBT (AS OF MOST RECENT FISCAL YEAR END)

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGATION	DATE OF MATURITY	AMORTIZATION PERIOD
CHFFA	\$28,506,417	5.00%	05/06/2006	05/01/2036	252 months

FINANCIAL RATIOS

(see next page for ratio formulas)

2014 CCAC Medians
50th Percentile
(optional)

	2013	2014	2015	
DEBT TO ASSET RATIO	43.19%	47.07%	46.73%	44.55%
OPERATING RATIO	98.07%	116.25%	113.36%	111.25%
DEBT SERVICE COVERAGE RATIO	2.74	2.35	2.86	.32
DAYS CASH-ON-HAND RATIO	272	151.7	191.28	160.64

HISTORICAL MONTHLY SERVICE FEES

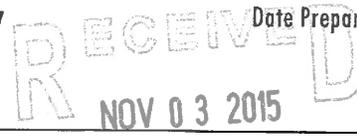
(AVERAGE FEE AND PERCENT CHANGE)

	2012	%	2013	%	2014	%	2015
STUDIO	\$ 2,224	3.90%	\$ 2,305	3.70%	\$ 2,402	4.20%	\$ 2,503
ONE BEDROOM	\$ 3,173	3.90%	\$ 3,289	3.70%	\$ 3,427	4.20%	\$ 3,571
TWO BEDROOM	\$ 3,655	3.90%	\$ 3,788	3.70%	\$ 3,947	4.20%	\$ 3,947
COTTAGE/HOUSE	\$ 3,625	3.90%	\$ 3,758	3.70%	\$ 3,915	4.20%	\$ 4,113
ASSISTED LIVING	\$ 5,779	0.00%	\$ 5,992	3.70%	\$ 6,243	4.20%	\$ 6,555
SKILLED NURSING	\$ 9,885	0.00%	\$ 10,402	3.70%	\$ 10,836	4.20%	\$ 11,034
SPECIAL CARE		0.00%		0.00%		0.00%	

COMMENTS FROM PROVIDER:

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

Date Prepared: 10/31/2015



FACILITY NAME: Lake Park
 ADDRESS: 1850 Alice Street ZIP CODE: 94612 PHONE: 510-835-5511
 PROVIDER NAME: California Nevada Methodist Homes FACILITY OPERATOR: California Nevada Methodist Homes
 RELATED FACILITIES: Forest Hill RELIGIOUS AFFILIATION: United Methodist Conference
 YEAR OPENED: 1965 # OF ACRES: 2+ SINGLE STORY MULTI-STORY OTHER: _____
 MILES TO SHOPPING CTR: 1/4
 MILES TO HOSPITAL: 3

NUMBER OF UNITS:	RESIDENTIAL LIVING	HEALTH CARE
	APARTMENTS — STUDIO: <u>20</u>	ASSISTED LIVING: <u>35</u>
	APARTMENTS — ALCOVE: <u>28</u>	SKILLED NURSING: <u>35</u>
	APARTMENTS — 1 BDRM: <u>80 (3 Junior)</u>	SPECIAL CARE: _____
	APARTMENTS — 2 BDRM: <u>28</u>	DESCRIBE SPECIAL CARE: _____
	RLU OCCUPANCY (%) AT YEAR END: <u>81.0%</u>	

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

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% PRORATED TO 0% OTHER: _____

RANGE OF ENTRANCE FEES: \$ 36,881 TO \$ 255,651 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 30 days of Lifetime Assisted Living, 30 days of Skilled Nursing

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: N/A OTHER: N/A

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): See page 5 that follows

COMMON AREA AMENITIES	FACILITY SERVICES AND AMENITIES			
	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (<u>4</u> TIMES/MONTH)	<input checked="" type="checkbox"/> <input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (<u>2</u> OR <u>3</u> /DAY)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
BOWLING GREEN	<input 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 checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/> <input type="checkbox"/>
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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 checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/> <input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/> <input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/> <input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>		

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PROVIDER NAME: California Nevada Methodist Homes - Lake Park

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
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NET INCOME FROM OPERATIONS	-\$ 411,783	-\$ 854,618	-\$ 357,711	-\$ 357,711
LESS INTEREST EXPENSE	\$ 1,581,862	\$ 1,529,908	\$ 1,483,046	\$ 1,434,566
PLUS CONTRIBUTIONS	\$ 583,534	\$ 9,490	\$ 83,518	\$ 315,850
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<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
CHFFA	\$28,506,417	5.00%	05/06/2006	05/01/2036	252 months

FINANCIAL RATIOS

(see next page for ratio formulas)

2013 CCAC Medians
50th Percentile
(optional)

		<u>2013</u>	<u>2014</u>	<u>2015</u>
DEBT TO ASSET RATIO	43.19%	47.07%	46.73%	44.55%
OPERATING RATIO	98.07%	116.25%	113.36%	111.25%
DEBT SERVICE COVERAGE RATIO	2.74	2.35	2.86	3.2
DAYS CASH-ON-HAND RATIO	272	151.7	191.28	160.64

HISTORICAL MONTHLY SERVICE FEES

(AVERAGE FEE AND PERCENT CHANGE)

	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>
STUDIO	\$ 2,220	3.80%	\$ 2,301	3.80%	\$ 2,398	4.20%	\$ 2,499
ONE BEDROOM	\$ 3,110	3.80%	\$ 3,223		\$ 3,358	4.30%	\$ 3,499
TWO BEDROOM	\$ 3,979	3.80%	\$ 4,124	3.70%	\$ 4,298	4.20%	\$ 4,478
COTTAGE/HOUSE		0.00%		0.00%		0.00%	
ASSISTED LIVING	\$ 6,521	0.00%	\$ 6,752	3.70%	\$ 7,034	4.20%	\$ 7,384
SKILLED NURSING	\$ 7,495	0.00%	\$ 7,650	3.70%	\$ 7,980	4.20%	\$ 8,486
SPECIAL CARE		0.00%		0.00%		0.00%	

COMMENTS FROM PROVIDER:

PROVIDER NAME: California Nevada Methodist Homes

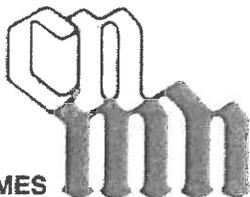
<u>CCRCs</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
Forest Hill	Pacific Grove, CA	831-657-5200
Lake Park	Oakland, CA	510-835-5511

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

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



Resident Representative participation on the CNMH Board of Directors

CNMH currently has a resident representative from each of its two CCRCs. These representatives are elected by each community's Resident Association and serve as non-voting members of the Board of Trustees. They are invited to participate in all regular Board meetings as well as any Board-related meetings involving the discussion of the annual budget, increases in monthly care fees, indebtedness, and expansion of new and existing CCRCs.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

CALIFORNIA-NEVADA METHODIST HOMES

**STATEMENT OF CASH FLOWS - DIRECT METHOD
SUPPLEMENTAL INFORMATION
CONTINUING CARE CONTRACT ANNUAL REPORT**

YEAR ENDED JUNE 30, 2015

CASH PROVIDED BY OPERATING ACTIVITIES:

Gifts, bequests and grants received	\$ 340,839
Resident fees	12,458,761
Patient fees	3,528,321
Entrance fees and deposits	1,087,136
Interest income	130,123
Rents	97,937
Miscellaneous	68,369
Payments to employees and suppliers	(17,442,229)
Payments for interest	<u>(1,457,586)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ (1,188,329)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(834,083)
Proceeds from the sale of investments	1,668,325
Decrease in bond reserve funds	(29,651)
Net proceeds from line of credit	500,000
Purchase of investments	<u>(1,283,122)</u>

NET CASH USED BY INVESTING ACTIVITIES 21,469

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on long-term debt	<u>(720,000)</u>
----------------------------	------------------

NET CASH USED BY FINANCING ACTIVITIES (720,000)

NET INCREASE IN CASH AND CASH EQUIVALENTS (1,886,860)

CASH AND CASH EQUIVALENTS, beginning of year 2,272,041

CASH AND CASH EQUIVALENTS, end of year \$ 385,181

CALIFORNIA-NEVADA METHODIST HOMES

**STATEMENT OF CASH FLOWS - DIRECT METHOD
SUPPLEMENTAL INFORMATION
CONTINUING CARE CONTRACT ANNUAL REPORT**

YEAR ENDED JUNE 30, 2015

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:

Change in net assets		\$ (978,139)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$ 2,153,296	
Amortization of bond issuance costs	88,026	
Amortization of bond premium	(23,020)	
Amortization of entrance subscriptions	(3,197,088)	
Entrance fees received	1,265,065	
Realized gain on sale of investments	(39,759)	
Realized gain on sale of property and equipment	-	
Unrealized gain on investments	50,517	
Change in present value of charitable remainder trust	2,400	
Decrease (increase) in:		
Accounts and notes receivable - trade	(18,775)	
Other receivables	(15,764)	
Charitable remainder trust distribution	51,500	
Accrued interest receivable	2,013	
Prepaid expenses	(42,137)	
Increase (decrease) in:		
Accounts payable	729,604	
Other payable	(41,286)	
Accrued liabilities	100,351	
Entrance deposits	(177,929)	
	<u>887,014</u>	
 NET CASH PROVIDED BY OPERATING ACTIVITIES		 <u>\$ (91,125)</u>

Explanation for the increase in monthly fees for the year 2014 - 2015

Before Monthly Fee Increase

- Total revenues projected to be \$19,119,991.
- Total expenses projected to be \$21,338,605.
- Total operating revenue w/out amortization/contribution income projected to be \$16,528,597.
- Total cash expenses (excluding depreciation, amortization, & amortized interest expense) were forecasted to be \$19,026,005 a net increase in cash expenses of \$713,433 over the prior year's comparable projected expenses.

Primary changes in expenses were as follows:

- Employee wage increases are budgeted to increase by an average of 3%, \$312,000 over the prior year's actual expenses.
- Employer's contribution to employee health insurance increased by 8%, \$101,000.
- Utilities were budgeted to increase by 4% Electric & Gas, 7.5% Garbage, and 10% Water over the prior year's actual expense. (\$57,000 in total)
- Purchased services and supplies budgets were increased between 3.75%, \$255,000 over the prior year.

Rationale to adjust fees:

- Monthly fee revenue was forecasted to be \$12,732,242 without an increase.
- Occupancy levels for the past year were lower than anticipated, with the new budget accounting for a modest overall increase in census.
- An operating ratio of 118.88% was indicated without an increase.
- A monthly fee increase of 4.95% for Life Care contracts and 4.20% for Continuing Care contracts was approved by the Board of Directors, yielding a projected revenue increase of \$436,521 and an operating ratio of 114.29%.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	Life Care \$3,510 - \$4,846 Continuing Care \$3,510 - \$5,796		
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	Life Care 4.95% Continuing Care - 4.20%		

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: 07/01/14
(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: California Nevada Methodist Homes, Inc.

COMMUNITY: Forest Hill

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	Life Care \$2,499 - \$6,307 Continuing Care \$2,499 - \$4,623		
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	Life Care-4.20% Continuing Care - 4.95%		

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: 07/01/14
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[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: California Nevada Methodist Homes, Inc.
COMMUNITY: Lake Park

Date Prepared: 10/9/2015

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KEY INDICATORS REPORT

[California-Nevada Methodist Homes, Inc.]



Chief Executive Officer Signature

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

	Historical					Projected	Forecast				Preferred Trend Indicator
	2011	2012	2013	2014	2015		2016	2017	2018	2019	
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)											
Forest Hill Manor	62.00%	71.00%	69.60%	72.79%	86.03%	67.28%	69.49%	72.43%	75.37%	77.57%	N/A
Lake Park Retirement	82.00%	80.00%	81.00%	84.50%	76.02%	77.38%	78.33%	79.23%	80.13%	81.04%	
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)											
	-13.98%	-5.54%	-7.06%	-4.88%	-5.44%	-3.38%	-1.34%	0.28%	2.15%	3.43%	↑
3. Net Operating Margin - Adjusted (%)											
	18.00%	15.07%	23.64%	26.70%	1.21%	12.49%	12.71%	13.52%	14.60%	15.22%	↑
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments (\$000)											
	\$4,632	\$5,896	\$7,292	\$9,466	\$8,143	\$7,457	\$7,997	\$8,902	\$8,957	\$9,276	↑
5. Days Cash on Hand (Unrestricted)											
	104.93	127.28	151.7	191.28	160.64	142.73	148.08	159.88	156.56	157.43	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees (\$000)											
	\$28,112	\$29,485	\$32,139	\$36,252	\$22,716	\$25,057	\$27,442	\$29,683	\$30,263	\$30,394	N/A
7. Net Annual E/F proceeds (\$000)											
	\$4,929	\$3,525	\$6,014	\$6,812	\$1,089	\$3,072	\$2,877	\$2,877	\$2,877	\$2,877	N/A
8. Unrestricted Net Assets (\$000)											
	\$2,406	\$233	-\$1,412	-\$5,072	-\$6,014	-\$7,062	-\$8,686	-\$9,830	-\$10,510	-\$10,806	N/A
9. Annual Capital Asset Expenditure (\$000)											
	\$1,092	\$713	\$1,057	\$1,381	\$834	\$3,140	\$1,840	\$1,620	\$1,000	\$1,100	N/A
10. Annual Debt Service Coverage Revenue Basis (x)											
	-0.75	0.01	-0.36	-0.24	-0.18	-0.09	0.06	0.20	0.38	0.52	↑
11. Annual Debt Service Coverage (x)											
	2.2	1.58	2.35	2.86	0.32	1.45	1.37	1.52	1.71	1.85	↑
12. Annual Debt Service/Revenue (%)											
	10.59%	12.77%	12.12%	11.74%	11.01%	10.21%	10.65%	10.11%	9.55%	9.09%	↓
13. Average Annual Effective Interest Rate (%)											
	4.85%	5.01%	5.01%	5.01%	5.01%	3.85%	4.12%	4.12%	4.12%	4.12%	↓
14. Unrestricted Cash & Investments/Long-Term Debt (%)											
	14.39%	18.68%	23.74%	32.33%	28.57%	22.75%	24.85%	28.22%	28.98%	30.67%	↑
15. Average Age of Facility (years)											
	10.46	11.55	12.56	13.54	14.99	15.28	15.6	16.67	17.35	17.98	↓