

ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED:

09/30/2015

PROVIDER(S): Eastern Star Homes of California

CCRC(S): Senior Living Community for the Eastern Star

PROVIDER CONTACT PERSON: Kimberly Cooke

TELEPHONE NO.: (714) 577-9281 EMAIL: KCOOKE@easternstarhomes.org

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

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$ 4,072.00
  - If applicable, late fee in the amount of: \$ 1,924.00
- 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 reserves* and, *when applicable*, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- "Continuing Care Retirement Community Disclosure Statement" for *each* community.
- Form 7-1, "Report on CCRC Monthly Service Fees" for *each* community.
- Form 9-1, "Calculation of Refund Reserve Amount", *if applicable*.
- Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

n/a  
n/a



*Senior Living Community*  
for the  
Eastern Star in California

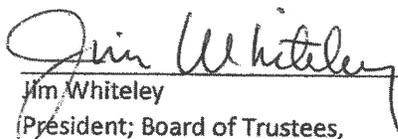
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MAR 29 2016  
CONTINUING CARE  
CONTRACTS BRANCH

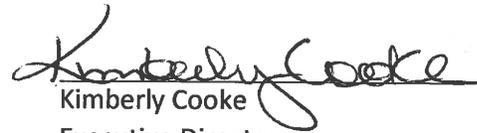
March 28, 2016

Department of Social Services – Continuing Care Contracts Branch  
744 P Street  
MS 10-90  
Sacramento, CA 95814

Certification Statement

- I certify that, the annual report and any amendments thereto are correct to the best of my knowledge.
- I certify that each continuing care contract form in use or offered to new residents has been approved by the Department of Social Services.
- Per California Health and Safety Code 1790 (a) (3), the California Eastern Star Homes of California is required to disclose any funds accumulated for identified projects for purposes and any funds obtained or designated for specific contingencies. The Homes does not have any such funds identified for any project or purposes or than the operations of the Home. The Endowment Fund of the Grand Chapter of California, Order of the Eastern Star is designated for the accumulation of funds to support the Home operations.

  
Jim Whiteley  
President; Board of Trustees,  
Eastern Star Homes of California, Inc.

  
Kimberly Cooke  
Executive Director  
Senior Living Community for the Eastern Star

**DIRECTORS AND OFFICERS LIABILITY POLICY  
DECLARATIONS**

**RECEIVED**  
MAR 29 2016



Corporate Office  
945 E. Paces Ferry Rd.  
Suite 1800  
Atlanta, GA 30326

**CONTINUING CARE  
CONTRACTS BRANCH**

COMPANY SYMBOL N	POLICY PREFIX & NUMBER HP659022	RENEWAL OF NHP653516
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•THIS IS A CLAIMS MADE POLICY. PLEASE READ IT CAREFULLY.●

THIS POLICY IS ISSUED BY: RSUI Indemnity Company (hereinafter referred to as the Insurer)

<b>ITEM 1.</b> INSURED'S NAME AND MAILING ADDRESS EASTERN STAR HOMES OF CALIFORNIA, INC. 16850 EAST BASTANCHURY ROAD YORBA LINDA, CA 92886	PRODUCER'S NAME AND ADDRESS
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IN CONSIDERATION OF THE PAYMENT OF THE PREMIUM, IN RELIANCE UPON THE STATEMENTS HEREIN OR ATTACHED HERETO, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, THE INSURER AGREES TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

**ITEM 2. POLICY PERIOD:**

FROM 9/1/2014 TO 9/1/2015 12:01 AM Standard Time at the Insured's address as stated herein

**ITEM 3. LIMIT OF LIABILITY:**

\$ 3,000,000 Aggregate Limit of Liability each policy period

**ITEM 4. RETENTION:**

\$ <u>0</u>	Insuring Agreement A
\$ <u>25,000</u>	Insuring Agreement B
\$ <u>25,000</u>	Insuring Agreement C
\$ <u>25,000</u>	Employment Practices Claim

**ITEM 5. PREMIUM:**

\$ 16,650.00

**ITEM 6. POLICY FORM AND ENDORSEMENTS MADE A PART OF THIS POLICY AT THE TIME OF ISSUE:**

SEE RSG 200007 0204 - SUPPLEMENTAL DECLARATIONS - SCHEDULE OF ENDORSEMENTS; RSG 211003 0609 - DIRECTORS AND OFFICERS LIABILITY POLICY - NOT FOR PROFIT ORGANIZATION - 2009

THESE DECLARATIONS TOGETHER WITH THE COMPLETED, SIGNED AND DATED APPLICATION, POLICY FORMS AND ENDORSEMENTS, IF ANY, ISSUED TO FORM A PART THEREOF, COMPLETE THE ABOVE NUMBERED POLICY.

Countersigned: \_\_\_\_\_

September 15, 2014

DATE

AUTHORIZED REPRESENTATIVE

**DIRECTORS AND OFFICERS LIABILITY POLICY  
SUPPLEMENTAL DECLARATIONS**



POLICY NUMBER:     NHP659022    

**SCHEDULE OF ENDORSEMENTS**

TITLE	FORM NUMBER
Disclosure Pursuant to Terrorism Risk Insurance Act	RSG 204123 0108
Additional Defense Expense Limit	RSG 204162 0911
California Changes - Cancellation and Nonrenewal	RSG 203005 0611
Cap on Losses From Certified Acts of Terrorism	RSG 204081 0108
Coverage Extension - Healthcare Organization	RSG 204095 0210
Coverage Extension - HIPAA	RSG 204137 0609
Exclusion - Amended Bodily Injury and Property Damage	RSG 216014 0609
Exclusion - Bankruptcy - Insolvency	RSG 206049 0204
Exclusion - Malpractice	RSG 206066 0210
Exclusion - Prior and or Pending Litigation Backdated	RSG 206071 0204
Exclusion - Sexual Abuse with EPL Carve back	RSG 206086 1205
Exclusion - Specific Entities and Individuals	RSG 206077 1205
Exclusion - Specific Litigation	RSG 206078 0204
Sublimit - Defense Expenses - Wage and Hour Claims	RSG 204153 0609
Third Party Liability Coverage	RSG 204119 1011



COMMERCIAL GENERAL LIABILITY  
COVERAGE PART DECLARATIONS PAGE

POLICY EFFECTIVE 10/01/2014

POLICY NO. 1266-293

NAMED INSURED EASTERN STAR HOMES OF CALIFORNIA

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CLASSIFICATIONS  
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CLASSIFICATION	CODE NO.	PREMIUM BASIS	EXPOSURE
DWELLINGS-ONE FAMILY (LESSORS RISK ONLY)	63010	U	1
SEXUAL MISCONDUCT LIABILITY	49990	C	
EMPLOYEE BENEFITS	49993	C	44

PREMIUM BASIS: A-AREA C-TOTAL COST M-ADMISSIONS  
P-PAYROLL S-GROSS SALES U-UNITS OR EACH

-----  
ENDORSEMENT SCHEDULES  
-----

FORM GCG0405/0409  
CRISIS MANAGEMENT COVERAGE

SCHEDULE

\$ 300,000 CRISIS EVENT AGGREGATE LIMIT  
\$ 2,500 INDIVIDUAL COUNSELING EXPENSES EACH PERSON LIMIT  
\$ 50,000 MEDICAL EXPENSES EACH PERSON LIMIT  
\$ 200,000 INDIVIDUAL EXPENSES AGGREGATE LIMIT  
\$ 100,000 ORGANIZATIONAL EXPENSES AGGREGATE LIMIT

FORM GCG2820/0409  
LOST WAGES COVERAGE

SCHEDULE

\$ 5,000 LOST WAGES LIMIT

CONTINUED ON THE NEXT PAGE

COMMERCIAL GENERAL LIABILITY  
COVERAGE PART DECLARATIONS PAGE

POLICY EFFECTIVE 10/01/2014

POLICY NO. 1266-293

NAMED INSURED EASTERN STAR HOMES OF CALIFORNIA

-----  
ENDORSEMENT SCHEDULES  
-----

FORM GCG7310/0409  
EMPLOYEE BENEFITS LIABILITY ENDORSEMENT

SCHEDULE

\$ 1,000,000 EACH EMPLOYEE LIMIT  
\$ 3,000,000 AGGREGATE LIMIT  
\$ 1,000 DEDUCTIBLE

FORM GCG7410/0409  
SEXUAL MISCONDUCT LIABILITY COVERAGE

SCHEDULE

\$ 1,000,000 EACH CLAIM LIMIT  
\$ 3,000,000 AGGREGATE LIMIT  
\$ 10,000 MEDICAL EXPENSE LIMIT

FORM GCG7510/0409  
PROFESSIONAL LIABILITY COVERAGE

SCHEDULE

\$ 1,000,000 EACH CLAIM LIMIT  
\$ 3,000,000 AGGREGATE LIMIT

FORM PMAN502  
AMENDED DEFINITION OF DAMAGES

THIS DOCUMENT IS AN ENDORSEMENT THAT CHANGES THE POLICY.  
PLEASE READ IT CAREFULLY.

THIS ENDORSEMENT MODIFIES INSURANCE PROVIDED UNDER THE  
FOLLOWING:

CONTINUED ON THE NEXT PAGE

COMMERCIAL GENERAL LIABILITY  
COVERAGE PART DECLARATIONS PAGE

POLICY EFFECTIVE 10/01/2014

POLICY NO. 1266-293

NAMED INSURED EASTERN STAR HOMES OF CALIFORNIA

-----  
ENDORSEMENT SCHEDULES  
-----

FORM PMAN502  
AMENDED DEFINITION OF DAMAGES

COMMERCIAL GENERAL LIABILITY COVERAGE FORM  
PROFESSIONAL LIABILITY COVERAGE  
EMPLOYEE BENEFITS LIABILITY COVERAGE  
COUNSELORS LIABILITY COVERAGE

THE DEFINITION OF "DAMAGES" IS REPLACED BY THE FOLLOWING:  
"DAMAGES" MEAN ONLY THOSE TORT DAMAGES ALLOWED BY LAW.

09/17/2014

ORIGINAL COPY

PCG 75 00 04 09

## CRIME AND FIDELITY COVERAGE PART DECLARATIONS (COMMERCIAL ENTITIES)

The Crime And Fidelity Coverage Part (Commercial Entities) consists of this Declarations Form and the Commercial Crime Coverage Form.

Coverage Is Written:

Primary
  Excess
  Coindemnity
  Concurrent

Employee Benefit Plan(s) Included As Insureds:  
 ANY EMPLOYEE BENEFIT PLAN ESTABLISHED SOLELY FOR PERSONNEL OF ENTITIES INSURED UNDER THIS POLICY

	Insuring Agreements	Limit Of Insurance Per Occurrence	Deductible Amount Per Occurrence
1.	Employee Theft	\$10,000	\$500
2.	Forgery Or Alteration	\$10,000	\$500
3.	Inside The Premises - Theft Of Money And Securities	\$5,000	\$1,000
4.	Inside The Premises - Robbery Or Safe Burglary Of Other Property	Not Covered	
5.	Outside The Premises	\$5,000	\$1,000
6.	Computer And Funds Transfer Fraud	Not Covered	
7.	Money Orders And Counterfeit Money	Not Covered	

If "Not Covered" is inserted above opposite any specified Insuring Agreement, such Insuring Agreement and any other reference thereto in this Policy are deleted.

If Added By Endorsement:

Insuring Agreement(s)	Limit Of Insurance Per Occurrence	Deductible Amount Per Occurrence

Endorsements Forming Part Of This Coverage Part When Issued:  
 See Schedule of Forms and Endorsements

March 21, 2016

Management and Board of Trustees  
Eastern Star Homes of California  
16960 Bastanchury Road, Suite E  
Yorba Linda, CA 92886

Dear Stacy:

We have audited the financial statements of Eastern Star Homes of California as of and for the year ended September 30, 2015, and have issued our report thereon dated March 21, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 13, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Eastern Star Homes of California are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2015. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the Obligation to Provide Future Services is based on life expectancies of the resident population and actual historical costs of services. We evaluated the key factors and assumptions used to develop the Obligation to Provide Future Services in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net book value of fixed assets is based on depreciation of those assets on a straight-line basis over estimated useful lives of the underlying assets. We evaluated the key factors and assumptions used to develop the net book value of depreciable assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements included:

- Note 1 to the financial statements describes the significant accounting policies of the Organization, including revenue recognition policies and the relationship of the Grand Chapter Endowment Fund.
- Note 4 describes the amounts and transactions resulting from the relationship of the Grand Chapter Endowment Fund with respect to the funding the operations of the Home.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

*Advising with Vision®*  
We encountered no significant difficulties in dealing with management in performing and completing our audit. [www.muellerprost.com](http://www.muellerprost.com)

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 21, 2016.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Management and the Board of Trustees of Eastern Star Homes of California and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Mueller Prost LC*

**Mueller Prost LC**

**RECEIVED**  
MAR 29 2016

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**EASTERN STAR HOMES OF CALIFORNIA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015 AND 2014**

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To The Board of Trustees  
Eastern Star Homes of California  
Yorba Linda, California

We have audited the accompanying 2015 financial statements of *Eastern Star Homes of California* which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of Eastern Star Homes California as of September 30, 2014 and for the year then ended, were audited by other auditors whose report dated January 27, 2015, expressed an unqualified opinion on these financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the 2015 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the 2015 financial statements referred to above present fairly, in all material respects, the financial position of *Eastern Star Homes of California* as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Mueller Prost LC*

March 21, 2016  
Irvine, California

Certified Public Accountants

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**EASTERN STAR HOMES OF CALIFORNIA**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2015 AND 2014**

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 97,053	\$ 604,834
Receivables	27,138	24,848
Due from affiliated organization	39,266	21,574
Prepaid expenses and other	107,553	170,475
Property and equipment, net	<u>7,379,322</u>	<u>7,380,083</u>
Total Assets	\$ <u>7,650,332</u>	\$ <u>8,201,814</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 424,096	\$ 290,822
Due to affiliated organizations	7,388	16,629
Obligation to provide future services	<u>13,861,265</u>	<u>15,207,971</u>
Total Liabilities	14,292,749	15,515,422
Net Assets		
Unrestricted deficit	<u>(6,642,417)</u>	<u>(7,313,608)</u>
Total Liabilities and Net Assets	\$ <u>7,650,332</u>	\$ <u>8,201,814</u>

**EASTERN STAR HOMES OF CALIFORNIA**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Support, revenue and gains		
Contributions		
Per capita - members of Grand Chapter of California, Order of the Eastern Star	\$ 33,086	\$ 35,628
Residents' contributions after admission	914,522	1,028,030
Donations	69,390	55,579
Grant from Endowment Fund of the Grand Chapter of California, Order of the Eastern Star	2,510,000	3,115,000
Rental income	329,488	314,713
Other miscellaneous revenue	<u>3,603</u>	<u>5,796</u>
 Total support, revenue and gains	 <u>3,860,089</u>	 <u>4,554,746</u>
 Expenses		
Program services		
Elderly care	3,662,266	3,535,756
Support services		
Management and general	681,443	644,932
Rental property	131,566	134,098
Fundraising	<u>60,329</u>	<u>47,470</u>
 Total expenses	 <u>4,535,604</u>	 <u>4,362,256</u>
 Change in net assets before obligation to provide future services	 (675,515)	 192,490
 Decrease in obligation to provide future services	 <u>1,346,706</u>	 <u>200,157</u>
 Change in net assets	 671,191	 392,647
 Net assets, beginning of the year	 <u>(7,313,608)</u>	 <u>(7,706,255)</u>
 Net assets, end of year	 \$ <u>(6,642,417)</u>	 \$ <u>(7,313,608)</u>

*The notes to financial statements are an integral part of these statements.*

**EASTERN STAR HOMES OF CALIFORNIA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Program Services		Support Services		Total Support Services	Total
	Elderly Care	Management and General	Rental Property	Fundraising		
Compensation and related expenses						
Salaries and wages	1,327,650	249,729	24,297	41,705	315,731	1,643,381
Employee benefits	174,699	33,042	1,401	5,307	39,750	214,449
Payroll taxes	120,570	22,762	2,664	3,705	29,131	149,701
Other employee expenses	52,857	10,007	-	1,596	11,603	64,460
Professional and consultant fees	-	40,505	-	-	40,505	40,505
Administration fee	28,237	160,011	14,720	-	174,731	202,968
Insurance						
Property and liability	83,832	-	3,434	-	3,434	87,266
Workers' compensation	185,435	34,911	2,179	5,794	42,884	228,319
Occupancy						
Electricity	179,693	15,626	2,388	-	18,014	197,707
Gas	42,310	4,702	-	-	4,702	47,012
Water and sewer	34,949	3,883	9,653	-	13,536	48,485
Depreciation	333,618	-	37,159	-	37,159	370,777
Minor equipment and other supplies	94,746	15,424	5,378	2,222	23,024	117,770
Equipment rental and maintenance	17,828	14,586	-	-	14,586	32,414
Telephone	10,896	2,724	-	-	2,724	13,620
Licenses and taxes	21,492	5,373	19,237	-	24,810	46,102
Member assistance - Outreach	131,367	-	-	-	-	131,367
Resident activities	51,505	-	-	-	-	51,505
Resident allowances	68,218	-	-	-	-	68,218
Resident admission expenses	14,437	-	-	-	-	14,437
Holiday gifts - residents	5,763	-	-	-	-	5,763
Contract labor and food services	387,937	13,752	7,093	-	20,845	408,782
Board member expenses	1,044	4,175	-	-	4,175	5,219
Hospitalization / medical supplies	234,810	-	-	-	-	234,810
Dues and subscriptions	5,801	5,800	-	-	5,800	11,601
Office expense	42,831	14,276	1,963	-	16,239	59,070
Publications	9,741	9,740	-	-	9,740	19,481
Events	-	20,415	-	-	20,415	20,415
Total expenses	<u>3,662,266</u>	<u>681,443</u>	<u>131,566</u>	<u>60,329</u>	<u>873,338</u>	<u>4,535,604</u>

The notes to financial statements are an integral part of these financial statements.

**EASTERN STAR HOMES OF CALIFORNIA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Program Services		Support Services		Total Support Services	Total
	Elderly Care	Management and General	Rental Property	Fundraising		
Compensation and related expenses						
Salaries and wages	1,034,623	194,612	18,934	32,500	246,046	1,280,669
Employee benefits	155,108	29,336	1,244	4,712	35,292	190,400
Payroll taxes	86,078	16,250	1,902	2,645	20,797	106,875
Other employee expenses	24,869	4,708	-	751	5,459	30,328
Professional and consultant fees	-	38,299	-	-	38,299	38,299
Administration fee	32,387	183,528	16,883	-	200,411	232,798
Insurance						
Property and liability	109,864	-	4,500	-	4,500	114,364
Workers' compensation	143,763	27,066	1,689	4,492	33,247	177,010
Occupancy						
Electricity	166,882	14,512	2,218	-	16,730	183,612
Gas	50,981	5,665	-	-	5,665	56,646
Water and sewer	33,203	3,689	9,171	-	12,860	46,063
Depreciation	325,867	-	36,296	-	36,296	362,163
Minor equipment and other supplies	101,048	16,450	5,736	2,370	24,556	125,604
Equipment rental and maintenance	12,891	10,547	-	-	10,547	23,438
Telephone	10,367	2,592	-	-	2,592	12,959
Licenses and taxes	22,476	5,619	20,118	-	25,737	48,213
Member assistance - Outreach	47,107	-	-	-	-	47,107
Resident activities	50,236	-	-	-	-	50,236
Resident allowances	75,331	-	-	-	-	75,331
Resident admission expenses	19,178	-	-	-	-	19,178
Holiday gifts - residents	7,055	-	-	-	-	7,055
Contract labor and food services	728,887	25,838	13,327	-	39,165	768,052
Board member expenses	1,872	7,486	-	-	7,486	9,358
Hospitalization / medical supplies	236,636	-	-	-	-	236,636
Dues and subscriptions	5,745	5,745	-	-	5,745	11,490
Office expense	45,380	15,126	2,080	-	17,206	62,586
Publications	7,922	7,922	-	-	7,922	15,844
Events	-	29,942	-	-	29,942	29,942
Total expenses	<u>3,535,756</u>	<u>644,932</u>	<u>134,098</u>	<u>47,470</u>	<u>826,500</u>	<u>4,362,256</u>

*The notes to financial statements are an integral part of these statements.*

**EASTERN STAR HOMES OF CALIFORNIA**  
**STATEMENTS OF CASH FLOWS**  
**SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Contributions received	\$ 1,016,998	\$ 1,084,095
Grants received from Grand Chapter of California		
Order of the Eastern Star Endowment Fund	2,510,000	3,115,000
Rental income	327,198	350,577
Miscellaneous income received	3,603	5,795
Administrative and operating expenses paid	<u>(3,995,565)</u>	<u>(4,057,225)</u>
Net cash provided by (used in) operating activities	(137,766)	498,242
Cash Flows from Investing Activities		
Purchases of property and equipment	<u>(370,015)</u>	<u>(62,043)</u>
Net Change in Cash and Cash Equivalents	(507,781)	436,199
Cash and Cash Equivalents, beginning of year	<u>604,834</u>	<u>168,635</u>
Cash and Cash Equivalents, end of year	\$ <u>97,053</u>	\$ <u>604,834</u>
Reconciliation of change in net deficit to net cash provided by (used in) operating activities		
Change in net assets	\$ <u>671,191</u>	\$ <u>392,647</u>
Adjustments to reconcile change in net deficit to net cash provided by (used in) operating activities:		
Depreciation	370,776	362,163
Decrease in obligation to provide future services	(1,346,706)	(200,157)
Changes in operating assets and liabilities:		
Receivables	(2,290)	(13,568)
Due from/to affiliated organizations, net	(26,933)	14,290
Prepaid expenses and other	62,922	(71,628)
Accounts payable and accrued expenses	<u>133,274</u>	<u>14,495</u>
Net cash provided by (used in) operating activities	\$ <u>(137,766)</u>	\$ <u>498,242</u>

*The notes to financial statements are an integral part of these statements.*

**EASTERN STAR HOMES OF CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1    DESCRIPTION OF OPERATIONS**

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*Eastern Star Homes of California (the "Home")* is a California not-for-profit corporation organized in 1930 for the purpose of operating a home, under the name of "Senior Living Community," for the care of aged members of the Order of the Eastern Star. The Home also operates a medical office rental facility under the name "Eastern Star Professional Plaza."

The Home is the income beneficiary of the Endowment Fund of the Grand Chapter of California Order of the Eastern Star (the "Endowment Fund"). Net investment income is transferred to the Home to the extent that funds are needed for operations. Additional funds as necessary for the maintenance and operation of the Home are transferred from the temporarily restricted portion of the Endowment Fund.

Residents are affiliated members in good standing for at least five years, as described in the Constitution and Laws, who are at least sixty-five years of age. Upon admission to the Home, residents contribute their assets to the Endowment Fund (the "Endowment Fund") of the Grand Chapter of California, Order of the Eastern Star (the "Grand Chapter"). Certain members may also become residents under a fee for service arrangement.

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**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Basis of Accounting**

The financial statements of the Home have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Financial Statement Presentation**

The Home is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets which are described as follows:

*Unrestricted* – Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

*Temporarily restricted* – Net assets whose use by the Home is subject to either explicit donor-imposed stipulations, or by operation of law that can be fulfilled by actions of the Home or that expire by the passage of time.

*Permanently Restricted* - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Home and stipulate the use of income and/or appreciation as temporarily restricted based on donor-imposed stipulations or by operation of law.

At September 30, 2015 and 2014, the Home does not have any temporarily or permanently restricted net assets.

**Functional Allocation of Expenses**

The costs of providing various programs and activities have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**EASTERN STAR HOMES OF CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits and all highly liquid investments with an initial maturity at date of purchase of three months or less.

**Concentrations**

Financial instruments, which potentially subject the Home to concentrations of credit risk, consist primarily of cash deposits and money market funds at financial institutions. The Home maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

**Property and Equipment**

Acquisitions of property and equipment are recorded at cost. Donated property is recorded at its estimated fair value at the date of receipt. Currently, there are no donor or legal restrictions on the proceeds from the disposition of donated property. The cost of normal maintenance and repairs and minor replacements are charged to expense when incurred. Major replacements or betterments of properties are capitalized. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of activities. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets, generally from two to thirty years.

**Impairment of Long-Lived Assets**

When facts and circumstances indicate that the carrying values of long-lived assets may be impaired, the Home performs an evaluation of recoverability by comparing the carrying values of the assets to projected future cash flows in addition to other quantitative and qualitative analyses. No impairment charges were recorded for the years ended September 30, 2015 and 2014.

**Estimated Obligation to Provide Future Services**

The Home expects to provide services and the use of facilities to residents over their remaining lives. The Home annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents as described in Note 4.

**EASTERN STAR HOMES OF CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Revenue Recognition**

**Contributions**

Contributions received, including unconditional promises to give, are recorded as revenue in the period received at their fair value. Contributions from residents after admission consist primarily of social security and retirement payments to the residents.

For financial reporting purposes, the Home distinguishes between contributions of unrestricted assets, temporarily restricted assets and permanently restricted assets. Contributions for which donors have imposed restrictions limiting the use of the donated assets are reported as restricted support. When such donor-imposed restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained permanently, with only the income earned thereon available for current use, are classified as permanently restricted net assets. Contributions for which donors have not stipulated restrictions are reported as unrestricted support.

Unconditional promises to give, with payments due in future periods, are reported as restricted support. Gifts of land, buildings and equipment are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation, the Home reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

**Donated goods, facilities and services**

Donated non-cash assets, such as use of facilities and goods, are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills (which include accounting and legal services), are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received. The Home receives a significant amount of donated services from unpaid volunteers who assist with the different functions of the Home. No donated services have been recognized in the statements of activities because the criterion for recognition was not satisfied.

**EASTERN STAR HOMES OF CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Income Taxes**

The Home is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the Revenue Taxation Code of California and is a publicly supported organization as described in Section 509(a) of the IRC.

The Home has no unrecognized tax benefits at September 30, 2015 and 2014. The Home's federal income tax returns are subject to examination by the Internal Revenue Service for a period of three years from the filing of a federal return. California income tax returns are subject to examination by the Franchise Tax Board for a period of four years from the filing of a return.

If applicable, the Home recognizes interest and penalties associated with tax matters as part of income tax expense, and includes accrued interest and penalties with accrued expenses in statements of financial position.

**Endowment Fund**

Support from the Endowment Fund for the years ended September 30, 2015 and 2014, was \$2,510,000 and \$3,115,000, respectively. At September 30, 2015 and 2014, the Endowment Fund has temporarily restricted net assets of \$1,997,849 and \$5,869,975, respectively, and permanently restricted net assets of \$24,250,391 and \$24,165,115.

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**NOTE 3 PROPERTY AND EQUIPMENT**

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At September 30, 2015 and 2014, property and equipment consists of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 2,738,904	\$ 2,738,904
Buildings	8,422,882	8,422,882
Building improvements	1,584,313	1,240,052
Furniture, fixtures and equipment	528,399	502,645
Automobiles	189,195	189,195
Computer equipment and software	<u>39,601</u>	<u>39,601</u>
	13,503,294	13,133,279
Less accumulated depreciation	<u>(6,123,972)</u>	<u>(5,753,196)</u>
	<u>\$ 7,379,322</u>	<u>\$ 7,380,083</u>

The Home's property also includes office facilities that are leased to the Grand Chapter and various other medical offices (Note 8).

**EASTERN STAR HOMES OF CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4 OBLIGATION TO PROVIDE FUTURE SERVICES**

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Applicants for admission to the Home are required to make a contribution of their personal assets to the Endowment Fund. In exchange for this contribution, the Home agrees to care for the residents for the remainder of their lives. The Home also provides care for residents under a fee for service arrangement. The Home has recorded a liability for its obligation to provide care for the residents for the remainder of their lives. The obligation is calculated by estimating the cost of providing care and the use of the facilities over the remaining lives of the residents less estimated cash revenue before any realized gains from the Endowment Fund or proceeds on future property sales. The excess of projected expenses over revenues has been estimated to increase at 1.25% and 2.02% annually as of September 30, 2015 and 2014, respectively, representing inflation. The resulting liability has been discounted by 5% to reflect net present value. This liability amounted to \$13,861,265 and \$15,207,971 at September 30, 2015 and 2014, respectively. The change in obligation from year to year is shown on the statements of activities.

The Home is licensed to operate a seventy-six bed continuing care home, and at September 30, 2015 and 2014 the Home had 42 and 48 residents, respectively. Any shortfall in future operating cash flow is obligated to be met by the Endowment Fund (Note 2).

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**NOTE 5 CASH RESERVES**

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The Grand Chapter's Constitution and Laws require that the operating cash balance of the Home is to be limited to \$250,000 plus appropriations. Excess amounts are to be transferred to the unrestricted Endowment Fund for the future use of the Home, to be maintained by the Grand Chapter. Any shortfall in future operating cash flow is obligated to be met by the Endowment Fund. At September 30, 2015 and 2014, the Home had operating cash balances of \$85,294 and \$585,313, respectively. As of November 2015, the Home had reduced its cash balance to less than \$250,000 in compliance with the Grand Chapter's Constitution and Laws.

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**NOTE 6 RELATED PARTY TRANSACTIONS**

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The Home incurred \$202,968 and \$232,798 in administrative expense charges during the years ended September 30, 2015 and 2014, respectively, for services provided by the Grand Chapter. The Home also leases office space to the Grand Chapter (Note 8). For the years ended September 30, 2015 and 2014, the Home earned \$50,999 and \$39,881, respectively, of rental income from the Grand Chapter. At September 30, 2015, \$0 is due to the Grand Chapter and at September 30, 2014, \$16,629 is due from the Grand Chapter.

For the year ended September 30, 2015, California Eastern Star Foundation reimbursed the Home \$45,401 under an employee-sharing agreement. There was no employee-sharing during the year ended September 30, 2014. At September 30, 2015, \$39,266 is due from the Foundation.

**EASTERN STAR HOMES OF CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 7 CONTINUING CARE RESERVE REQUIREMENT**

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The State of California Health and Safety Code requires continuing care retirement communities to report on the adequacy of certain reserve requirements. The Home's required statutory reserve at September 30, 2015 and 2014 was \$855,786 and \$821,937, respectively. The Home had a surplus of qualifying assets over the required reserve amount of \$1,239,116 and \$5,652,872 at September 30, 2015 and 2014 respectively, which includes temporarily restricted net assets held in the Endowment Fund for the benefit of the Home.

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**NOTE 8 OPERATING LEASES – RENTAL INCOME**

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The Home leases office space under an operating lease to the Grand Chapter expiring in June 2020. In addition, the Home leases various medical offices to non-related parties under operating leases expiring through July 2018. At September 30, 2015, property and equipment held for leasing consists of the following:

Buildings	\$	458,187
Building improvements		627,251
Furniture, fixtures and equipment		<u>13,232</u>
		1,098,670
Less accumulated depreciation		<u>(693,483)</u>
	<b>\$</b>	<b><u>405,187</u></b>

Subsequent to the fiscal year end, in December 2015, the terms of related party leases to the Grand Chapter were modified. The schedule of future minimum lease payments below reflects the terms of these lease agreements as modified.

The future minimum lease payments to be received under the non-cancelable leases are as follows:

	<u>Related Party</u>	<u>Non-related Parties</u>	<u>Total</u>
<u>Year Ending September 30,</u>			
2016	\$ 26,198	\$ 87,860	\$ 114,058
2017	18,540	73,147	91,687
2018	19,096	24,733	43,829
2019	19,670	-	19,670
2020	20,259	-	20,259
Thereafter	-	-	-
	<b><u>\$ 103,763</u></b>	<b><u>\$ 185,740</u></b>	<b><u>\$ 289,503</u></b>

**EASTERN STAR HOMES OF CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 9    COMMITMENTS AND CONTINGENCIES**

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**Health Care**

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

**Litigation**

The Organization may be subject to asserted and unasserted claims encountered in the normal course of business. The Organization's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. In the opinion of management, disposition of these matters will not have a material effect on the Organization's financial condition or results of operation.

**Professional Liability Coverage**

The Organization is insured for professional liability under an occurrence policy for a combined occurrence and maximum annual aggregate of \$3,000,000.

**Risk Management**

The Organization has obtained workers' compensation insurance through a private insurer. Worker's Compensation expense through coverage by this entity was \$214,449 and \$177,010 for the years ended September 30, 2015 and 2014, respectively.

**Affordable Care Act**

President Obama signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Tax Credits Reconciliation Act of 2010. Together, these two acts will affect the health care system and will impact payments received by health care providers. The overall impact to the Organization is not presently determinable.

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**NOTE 10    SUBSEQUENT EVENTS**

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Subsequent events have been evaluated by the Home through the date of the auditors' report which is the date the financial statements were available to be issued. As described in Note 8, leases with a related party were modified subsequent to year end and disclosures related to future periods reflect those modifications.

To the Finance Committee  
Grand Chapter of California, Order of the Eastern Star and  
Endowment Fund of the Grand Chapter of California,  
Order of the Eastern Star and  
To the Board of Trustees  
Easter Star Homes of California

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying continuing care reserve report (the "Reports") of Grand Chapter of California, Order of the Eastern Star and Endowment Fund of the Grand Chapter of California, Order of the Eastern Star (collectively, the "Grand Chapter") and Eastern Star Homes of California (the "Home") as of September 30, 2015.

#### ***Management's Responsibility for the Report***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the Reports 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 Reports are free from material misstatement.

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

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

The accompanying reports were prepared for the purpose of complying with California Health and Safety Code Section 1792 and are not intended to be a complete presentation of the assets, liabilities, revenues and expenses of the Grand Chapter and Home.

***Opinion***

In our opinion, the Report of the Grand Chapter and the Home present fairly, in all material respects, the liquid reserve requirements of the Grand Chapter and the Home as of September 30, 2015 in conformity with the report preparation provision of California Health and Safety Code Section 1792 referred to above.

***Restriction on Use***

This Report is intended solely for the information of the Finance Committee, Board of Trustees and management of the Grand Chapter and the Home and the California Department of Social Services and is not intended to be and should not be used by anyone other than these specified parties. However, this Report is a matter of public record and its distribution is not limited.

March 21, 2016  
Irvine, California

*Muller Prot LC*

Certified Public Accountants

**FORM 1-1  
RESIDENT POPULATION**

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	47
[2]	Number at end of fiscal year	41
[3]	Total Lines 1 and 2	88
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	44
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	48
[7]	Number at end of fiscal year	42
[8]	Total Lines 6 and 7	90
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	45
[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).	0.98

**FORM 1-2  
ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only) <b>\$4,535,604</b>
[a]	Depreciation <b>\$370,777</b>
[b]	Debt Service (Interest Only) <b>\$0</b>
[2]	Subtotal (add Line 1a and 1b) <b>\$370,777</b>
[3]	Subtract Line 2 from Line 1 and enter result. <b>\$4,164,827</b>
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11) <b>98%</b>
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) <b>\$4,072,275</b>
[6]	Total Amount Due (multiply Line 5 by .001) <b>\$4,072</b>

**PROVIDER:** Grand Chapter of California, Order of the Eastern Star  
**COMMUNITY:** Senior Living Community for the Eastern Star

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

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

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

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

**PROVIDER:** Grand Chapter of California, Order of the Eastern Star

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

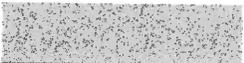
	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Total Interest Paid During Fiscal Year	Amount of Most Recent Payment on the Debt	Number of Payments over next 12 months	Reserve Requirement (see instruction 5) (columns (c) x (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7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

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

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

**PROVIDER:** Grand Chapter of California, Order of the Eastern Star

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

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

**PROVIDER:** Grand Chapter of California, Order of the Eastern Star

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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$4,535,604</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$0	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$0	
	c. Depreciation	<u>\$370,777</u>	
	d. Amortization	\$0	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$0	
	f. Extraordinary expenses approved by the Department	\$0	
3	Total Deductions		<u>\$370,777</u>
4	Net Operating Expenses		<u>\$4,164,827</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$11,410</u>
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.		<u><u>\$855,786</u></u>

**PROVIDER:** Grand Chapter of California, Order of the Eastern Star

**COMMUNITY:** Senior Living Community for the Eastern Star

**FORM 5-5  
ANNUAL RESERVE CERTIFICATION**

Provider Name: Grand Chapter of California, Order of the Eastern Star  
 Fiscal Year Ended: 9/30/2015

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 9/30/2015 and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$0</u>
[2] Operating Expense Reserve Amount	<u>\$855,786</u>
[3] <b>Total Liquid Reserve Amount:</b>	<u>\$855,786</u>

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

<u>Qualifying Asset Description</u>	<u>Amount</u> <u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents		<u>\$97,053</u>
[5] Investment Securities		<u>\$1,997,849</u>
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other: <u>(describe qualifying asset)</u>		
<b>Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]</b>	<u>\$0</u>	<u>\$2,094,902</u>
<b>Reserve Obligation Amount: [13]</b>	<u>\$0</u>	<u>\$855,786</u>
<b>Surplus/(Deficiency): [15]</b>	<u>\$0</u>	<u>\$1,239,116</u>

Signature:

Kimberly Cook  
(Authorized Representative)

Date: 3/28/16

Executive Director  
(Title)

DSS - Reserve Report - Part of Form 5-5  
Description of Reserves under SB 1212

**Total Qualifying Assets as Filed:**

Cash and Cash Equivalents	\$ 97,053
Investment Securities	<u>\$ 1,997,849</u>
Total Qualifying Assets as Filed	\$ 2,094,902

**Additional Comments**

Total cash in the Eastern Star Homes of California financial statements.

Investments are held in the Endowment fund of the Grand Chapter of California, Order of the Eastern Star, but exclude any permanently restricted amounts.

**Reservations and Designations:**

Liquid Reserve Obligation per Form 5-5, line 3	<u>\$ 855,786</u>
Remaining Liquid Reserves	<u><u>\$ 1,239,116</u></u>

All qualifying assets, less liquid reserve obligation are unreserved and undesignated, and are available to support the Eastern Star Homes of California.

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**Per Capita Cost of Operations**

Operating Expenses (Form 5-4, line 1)	\$ 4,535,604
Mean # of CCRC Residents (Form 1-1, line 10)	<u>45</u>
Per Capita Cost of Operations	<u><u>\$ 100,791</u></u>

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

**RECEIVED**  
Date Reported: 3/8/16  
**MAR 29 2016**

FACILITY NAME: Senior Living Community for the Eastern Star  
 ADDRESS: 16850 Bastanchury Road, Yorba Linda, CA ZIP CODE: 92886 PHONE: 714/928-9281  
 PROVIDER NAME: Grand Chapter of CA, OES FACILITY OPERATOR: Kimberly Cooke, Executive Director  
 RELATED FACILITIES: None RELIGIOUS AFFILIATION: All  
 YEAR OPENED: 1998 # OF ACRES: 5  SINGLE  MULTI-  
 STORY STORY  OTHER: \_\_\_\_\_ MILES TO SHOPPING CTR: .5  
 MILES TO HOSPITAL: 1

**NUMBER OF UNITS:**

<b>RESIDENTIAL LIVING</b>	<b>HEALTH CARE</b>
APARTMENTS — STUDIO: <u>18</u>	ASSISTED LIVING: <u>9</u>
APARTMENTS — 1 BDRM: <u>35</u>	SKILLED NURSING: <u>4 (offsite)</u>
APARTMENTS — 2 BDRM: <u>2</u>	SPECIAL CARE: <u>0</u>
COTTAGES/HOUSES: <u>0</u>	DESCRIPTION: > <u>N/A</u>
RLU OCCUPANCY (%) AT YEAR END: <u>66%</u>	> _____

TYPE OF OWNERSHIP:  NOT-FOR-PROFIT  FOR-PROFIT ACCREDITED?:  YES  NO BY: N/A

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

REFUND PROVISIONS: (Check all that apply)  90%  75%  50%  FULLY AMORTIZED  OTHER: \_\_\_\_\_

RANGE OF ENTRANCE FEES: \$ 0 - \$ 0 LONG-TERM CARE INSURANCE REQUIRED?  YES  NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Life Care

ENTRY REQUIREMENTS: MIN. AGE: 65 PRIOR PROFESSION: N/A OTHER: Fraternal Affiliation

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Attend Home Board meetings and Finance Committee meetings.

FACILITY SERVICES AND AMENITIES					
COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HOUSEKEEPING ( <u>4</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS ( <u>3</u> /DAY)	<input checked="" type="checkbox"/>	<input 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"/>
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 type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" 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 checked="" 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 type="checkbox"/>	<input 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 type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>			

**PROVIDER NAME:** Grand Chapter of CA, OES, Senior Living Community for the Eastern Star

**OTHER CCRCs**

**LOCATION (City, State)**

**PHONE (with area code)**


**MULTI-LEVEL RETIREMENT COMMUNITIES**

**LOCATION (City, State)**

**PHONE (with area code)**


**FREE-STANDING SKILLED NURSING**

**LOCATION (City, State)**

**PHONE (with area code)**


**SUBSIDIZED SENIOR HOUSING**

**LOCATION (City, State)**

**PHONE (with area code)**


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

PROVIDER NAME: Grand Chapter of CA, OES, Senior Living Community for the Eastern Star

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b>				
(Excluding amortization of entrance fee income)	2,822,760	2,660,623	3,435,509	2,843,091
<b>LESS OPERATING EXPENSES</b>				
(Excluding depreciation, amortization, and interest)	3,941,955	3,859,978	4,000,093	4,164,827
<b>NET INCOME FROM OPERATIONS</b>	(1,119,195)	(1,199,355)	(564,584)	(1,321,736)
<b>LESS INTEREST EXPENSE</b>				
<b>PLUS CONTRIBUTIONS</b>	67,993	118,912	91,207	102,476
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b>				
(excluding extraordinary items)				
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	(1,051,202)	(1,080,443)	(473,377)	(1,219,260)
<b>NET CASH FLOW FROM ENTRANCE FEES</b>				
(Total Deposits Less Refunds)	982,197	944,920	1,028,030	914,522

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>

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

	<b>2013 CCAC Medians 50<sup>th</sup> Percentile (optional)</b>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>DEBT TO ASSET RATIO</b>				
<b>OPERATING RATIO</b>				
<b>DEBT SERVICE COVERAGE RATIO</b>		145.08%	116.43%	146.49%
<b>DAYS CASH ON HAND RATIO</b>				

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

	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>
STUDIO	3,352		3,352		3,352		3,352
ONE BEDROOM	3,982		3,982		3,982		3,982
TWO BEDROOM	6,332		6,332		6,332		6,332
COTTAGE/HOUSE							
ASSISTED LIVING	3,352		3,352		3,352		3,352
SKILLED NURSING							
SPECIAL CARE							

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**COMMENTS FROM PROVIDER:** >

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

**FINANCIAL RATIO FORMULAS**

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

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

**OPERATING RATIO**

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

**DEBT SERVICE COVERAGE RATIO**

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

**DAYS CASH ON HAND RATIO**

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

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

Date Prepared: 3/28/2016

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

# KEY INDICATORS REPORT

## Eastern Star Homes of California

*Kate Cook*  
 Chief Executive Officer  
 CONTINUING CARE  
 CONTRACTS BRANCH

	2011	2012	2013	2014	2015	Projected 2016	2017	2018	2019	2020	Preferred Trend Indicator
<b>OPERATIONAL STATISTICS</b>											
1. Average Annual Occupancy by Site (%)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	N/A
<b>MARGIN (PROFITABILITY) INDICATORS</b>											
2. Net Operating Margin (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	↑
3. Net Operating Margin - Adjusted (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	↓
<b>LIQUIDITY INDICATORS</b>											
4. Unrestricted Cash and Investments (\$000)	\$8,300	\$9,300	\$9,013	\$6,475	\$2,095	\$2,125	\$2,225	\$2,475	\$2,725	\$2,975	↑
5. Days Cash on Hand (Unrestricted)	756	861	852	591	184	186	195	217	239	261	↑
<b>CAPITAL STRUCTURE INDICATORS</b>											
6. Deferred Revenue from Entrance Fees (\$000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7. Net Annual E/F proceeds (\$000)	\$920	\$982	\$945	\$1,028	\$915	\$980	\$1,000	\$1,020	\$1,040	\$1,061	N/A
8. Unrestricted Net Assets (\$000)	\$10,071	\$8,514	\$7,706	\$7,314	\$6,642	\$6,672	\$6,772	\$7,022	\$7,272	\$7,522	N/A
9. Annual Capital Asset Expenditure (\$000)	\$58	\$86	\$40	\$47	\$305	\$50	\$50	\$50	\$50	\$50	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	↑
11. Annual Debt Service Coverage (x)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	↑
12. Annual Debt Service/Revenue (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	↓
13. Average Annual Effective Interest Rate (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	↑
15. Average Age of Facility (years)	10.69	11.72	13.08	15.69	14.65	13.65	12.65	11.65	10.65	10.15	↓

Forecast **MAR 29 2016**