

ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED:

9/30/15

PROVIDER(S): LINCOLN GLEN MANOR FOR SENIOR CITIZENS

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CCRC(S): LINCOLN GLEN MANOR FOR SENIOR CITIZENS

CONTINUING CARE
CONTRACTS BRANCH

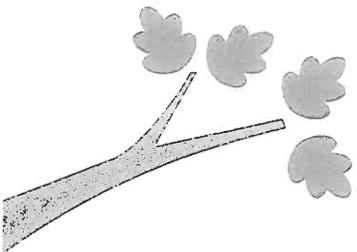
PROVIDER CONTACT PERSON: LOREN KROEGER

TELEPHONE NO.: (408) 215-3222

EMAIL: LKROEGER@LGMANOR.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: \$ 192.⁰⁰
 - If applicable, late fee in the amount of: \$ 4,036
- 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.



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Certification by Chief Executive Officer

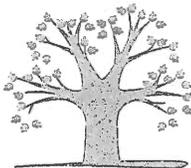
I have reviewed the information in the Financial Statement, Annual Report and amendments included in this report. The Financial Statement, Annual report and any amendments and attachments thereto are correct to the best of my knowledge.

All Continuing Care Contract forms in use or offered to new residents have been approved by the Department of Social Services Continuing Care Branch.

Effective on the date of this report Lincoln Glen Manor for Senior Citizens is maintaining the liquid reserve required. Report prepared 5/21/2016.

Respectfully Submitted,

Loren J Kroeker
CEO/Executive Director
Lincoln Glen Manor for Senior Citizens



Lincoln Glen

2671 Plummer Avenue
San Jose, CA 95125

T 408-265-3222
F 408-265-2839

LGMANOR.ORG

SURETY BOND

(Original sent to Regional Office)

Premium: \$500.00

Applicant/Licensee Name: Lincoln Glen Manor For Senior Citizens, Inc.Address: 2671 Blummer Ave., San Jose, CA 95125Bonding Company: WESTERN SURETY COMPANYAddress: P.O. Box 5077, Sioux Falls, SD 57117-5077Telephone #: 605-336-0850Local Agent Name: Resource PartnersTelephone #: 717-293-7840The addresses shown above for licensee and bonding company will be used
for service of notices, papers, and other documents.**BE IT KNOWN THAT:**

Licensee, as Principal, and Bonding Company, as Surety, are held and firmly bound to the State of California, as beneficiary, in the amount of \$ 50,000.00 (Fifty Thousand and 00/100) for the payment of which the principal and surety bind themselves, their respective heirs, successors and assigns, jointly and severally.

WHEREAS Health and Safety Code sections 1560, 1568.021, and 1569.60 each require certain applicants for licenses to file with the State Department of Social Services a surety bond; and

WHEREAS the licensee has applied to operate an (check all that apply):

- Adult Residential, Adult Day Programs or Social Rehabilitation Facility, and the licensee handles client/resident funds in any amount; or
- Foster Family Home, Foster Family Agency, Group Home, Small Family Home, Residential Care Facility for Persons with Chronic, Life-Threatening Illness, or Residential Care Facility for the Elderly, and the licensee handles funds of \$50 or more per client/resident or \$500 or more for all clients/ residents in any month;

NOW, THEREFORE, the surety is liable on this bond in the event that the principal fails to handle faithfully and honestly the money of facility clients/residents.

The facility covered by this bond is:

Facility Name: Lincoln Glen Manor For Senior Citizens, Inc.Facility Address: 2671 Blummer Ave., San Jose, CA 95125

Facility License Number (if facility is currently licensed): _____

(If other facilities are covered by this bond, specify on a separate, attached page the name, address, facility license number, and bond amount for each facility.)

Every person injured as a result of any unfaithful or dishonest handling of client money may bring an action in a proper court on the bond for the amount of damage suffered thereby to the extent covered by the bond.

The aggregate liability of the Surety for all claims against this bond shall not exceed the amount of the bond, shown above.

This bond may be canceled by the Surety in accordance with Code of Civil Procedure section 996.030, and notice of cancellation must be sent in accordance with Code of Civil Procedure section 996.320. This bond is effective May 19, 2016 and remains in effect as long as the license is valid.

I certify under penalty of perjury under the laws of the State of California that the information provided on this page and on any attachments is true and correct.

BONDING COMPANY SIGNATURE:

WESTERN SURETY COMPANY

BOND NUMBER:

71787921

DATE:

May 19, 2016



C. Bennett, Asst. Sec.

LIC 402 (8/04) (PUBLIC)

Western Surety Company

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That WESTERN SURETY COMPANY, a corporation organized and existing under the laws of the State of South Dakota, and authorized and licensed to do business in the States of Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming, and the United States of America, does hereby make, constitute and appoint

C. Bendt of Sioux Falls,
State of South Dakota, with limited authority, its true and lawful Attorney-in-Fact, with full power and authority hereby conferred to sign, execute, acknowledge and deliver for and on its behalf as Surety and as its act and deed, the following bond:

One NURSING HOMES - NURSING FACILITY RESIDENTS

bond with bond number 71787921

for LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
as Principal in the penalty amount not to exceed: \$50,000.00

Western Surety Company further certifies that the following is a true and exact copy of Section 7 of the by-laws of Western Surety Company duly adopted and now in force, to-wit:

Section 7. All bonds, policies, undertakings, Powers of Attorney, or other obligations of the corporation shall be executed in the corporate name of the Company by the President, Secretary, any Assistant Secretary, Treasurer, or any Vice President, or by such other officers as the Board of Directors may authorize. The President, any Vice President, Secretary, any Assistant Secretary, or the Treasurer may appoint Attorneys-in-Fact or agents who shall have authority to issue bonds, policies, or undertakings in the name of the Company. The corporate seal is not necessary for the validity of any bonds, policies, undertakings, Powers of Attorney or other obligations of the corporation. The signature of any such officer and the corporate seal may be printed by facsimile.

In Witness Whereof, the said WESTERN SURETY COMPANY has caused these presents to be executed by its
Vice President with the corporate seal affixed this 19th day of May,
2016.

ATTEST

A. Viator
A. Viator, Assistant Secretary

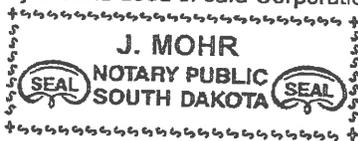
WESTERN SURETY COMPANY
By Paul T. Brufat
Paul T. Brufat, Vice President



STATE OF SOUTH DAKOTA }
COUNTY OF MINNEHAHA } ss

On this 19th day of May, 2016, before me, a Notary Public, personally appeared
Paul T. Brufat and A. Viator

who, being by me duly sworn, acknowledged that they signed the above Power of Attorney as Vice President
and Assistant Secretary, respectively, of the said WESTERN SURETY COMPANY, and acknowledged said instrument to be the
voluntary act and deed of said Corporation.



J. Mohr
My Commission Expires June 23, 2021
Notary Public

To validate bond authenticity, go to www.cnasurety.com > Owner/Obligee Services > Validate Bond Coverage.

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	0
[2]	Number at end of fiscal year	6
[3]	Total Lines 1 and 2	6
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	3
All Residents		
[6]	Number at beginning of fiscal year	152
[7]	Number at end of fiscal year	146
[8]	Total Lines 6 and 7	298
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	149
[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).	0.02

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1] Total Operating Expenses (including depreciation and debt service - interest only)	\$11,149,041
[a] Depreciation	\$975,550
[b] Debt Service (Interest Only)	\$662,283
[2] Subtotal (add Line 1a and 1b)	\$1,637,833
[3] Subtract Line 2 from Line 1 and enter result.	\$9,511,208
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	2%
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$191,501
[6] Total Amount Due (multiply Line 5 by .001)	x .001 \$192

PROVIDER: Lincoln Glen Manor for Senior Citizens
COMMUNITY: _____

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CONTINUING CARE
CONTRACTS BRANCH

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.

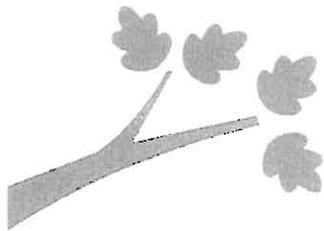
ANNUAL REPORT

Year Ended September 30, 2015

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.

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Lincoln Glen Manor for Senior Citizens, a California Corporation
Certificate of Executive Officer of the Corporation

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I hereby certify that Lincoln Glen Manor for Senior Citizens, a California Corporation, has caused its operations for the year ending September 30, 2015 to be reviewed by our accountant, C. Rendell Bayless, CPA. I have reviewed this annual report. Based upon my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report. Based upon my knowledge, the financial statements, and other financial information included in this annual report, fairly represent in all material respects the financial condition, results of operations, and cash flows of Lincoln Glen Manor for Senior Citizens as of, and for the period presented in this annual report.

Based upon my knowledge and the information provided in this report, no event of default under The Trust Agreement, the Sale Agreement or the Deed of Trust has come to my attention.

Loren Kroeker
Executive Director



Lincoln Glen

2571 Plummer Avenue
San Jose, CA 95125

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LSMANOR.083

C. RENDELL BAYLESS CPA
51 E Campbell Ave Ste 101A
Campbell CA 95008
(408) 356-4225

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~~CONTINUING CARE~~
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ANNUAL STATEMENT OF CORPORATION'S ACCOUNTANT

To the Board of Directors
Lincoln Glen Manor for Senior Citizens, Inc.
San Jose, California

I have audited the financial statements of Lincoln Glen Manor for Senior Citizens, Inc. as of and for the year ended September 30, 2015, and have issued my report thereon dated January 29, 2016. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Lincoln Glen Manor for Senior Citizens Independent Living's financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts and grants, including provisions of the Trust Agreement, the Sales Agreement and the Deed of Trust provisions relating to the \$14,000,000 Insured Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2011 and the \$11,965,000 Insured Refunding Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2015. Noncompliance of the aforementioned items could have a direct and material effect on the determination of financial statement amounts.

In the course of my audit examination, including a review of the operations of Lincoln Glen Manor for Senior Citizens, Inc., nothing came to my attention that would indicate a failure to comply, in all material respects, with the requirements of the Loan Agreements relating to the \$14,000,000 Insured Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2011 and the \$11,965,000 Insured Refunding Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2015

This report is intended for the information of the audit committee, board of directors, management, others within the organization and certain parties identified in the agreements relating to the \$14,000,000 Insured Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2011 and the \$11,965,000 Insured Refunding Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2015 and is not intended to be and should not be used by anyone other than these specified parties.

Campbell, California
January 29, 2016

C. Rendell Bayless

C. RENDELL BAYLESS CPA
51 E Campbell Ave Ste 101A
Campbell CA 95008
(408) 356-4225

ANNUAL STATEMENT OF CORPORATION'S ACCOUNTANT
CONCERNING COMPLIANCE WITH THE DEBT SERVICE COVERAGE RATIO

To the Board of Directors
Lincoln Glen Manor for Senior Citizens, Inc.
San Jose, California

I have audited the financial statements of Lincoln Glen Manor for Senior Citizens, Inc. as of and for the year ended September 30, 2015, and have issued my report thereon dated January 29, 2016. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Per provisions of the Loan Agreement that is part of the \$14,000,000 Insured Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2011 and the \$11,965,000 Insured Refunding Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2015, I have reviewed the schedule of Debt Service Coverage Ratio for Lincoln Glen Manor for Senior Citizens, Inc. for the year ended September 30, 2015.

In my opinion, the Debt Service Coverage Ratio for Lincoln Glen Manor for Senior Citizens, Inc. for the year ended September 30, 2015 represented by the ratio of Net Income Available for Debt Service to the Aggregate Annual Debt Service results in a ratio of 1.81. This exceeds the 1.25 ratio required by the Regulatory Agreement and accordingly, the corporation is in compliance with this provision.

In reviewing the Schedule of Current Ratio for Lincoln Glen Manor for Senior Citizens, Inc. for the year ended September 30, 2015 and the Schedule of Days Cash on Hand for Lincoln Glen Manor for Senior Citizens, Inc. for the year ended September 30, 2015, the reported results of a Current Ratio of 2.32:1.0 and Days Cash on Hand of 46 exceed the minimum requirements of a Current Ratio of 1.5:1.0 and 30 Days Cash on Hand. Accordingly, the corporation is in compliance with these latter two debt coverage ratios.

This report is intended for the information of the audit committee, board of directors, management, others within the organization and certain parties identified in the agreements relating to the \$14,000,000 Insured Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2011 and is not intended to be and should not be used by anyone other than these specified parties.

Campbell, California
January 29, 2016

C. Rendell Bayless

Occupancy and Facility Utilization

Occupancy of Facilities on 9/30/2015

Lincoln Glen Manor	<u>Units Occupied = 50</u>	<u>13 Units Available</u>
Lincoln Glen Skilled Nursing	<u>Beds Occupied = 57</u>	<u>2 Beds Available</u>
Lincoln Glen Assisted Living	<u>Units Occupied = 28</u>	<u>3 Units Available</u>
Memory Care	<u>Units Occupied = 11</u>	<u>0 Units Available</u>

Average Occupancy for Fiscal Year Ending 9/30/2014

Lincoln Glen Manor

Average Occupancy = 85.85 %
Average Number of Units Occupied = 54.08
Average Number of Units Available = 8.92

Lincoln Glen Skilled Nursing

Average Occupancy = 97.62%
Average Number of Beds Occupied = 57.6
Average Number of Beds Available = 1.4

Lincoln Glen Assisted Living Center

Average Occupancy = 83.88 %
Average Number of Units Occupied = 26.93
Average Number of Units Available = 4.07

Lincoln Glen Memory Care Center

Average Occupancy = 98.87%
Average Number of Units Occupied = 10.88
Average Number of Units Available = 0.12

The above information was prepared directly from reports provided by the facility administration to the Lincoln Glen Manor Board of Directors and to the appropriate governmental agencies.

I certify that this information accurately represents occupancy at Lincoln Glen Manor, Assisted Living and Skilled Nursing Facility for the Fiscal Year ending 9/30/2015.



Loren J. Kroeker
Executive Director

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
 SCHEDULE OF DEBT SERVICE COVERAGE RATIO
 FOR THE YEAR ENDING SEPTEMBER 30, 2015

Change in Net Assets, per Statement of Activities		\$277,063
Plus:	Interest, including amortization of OID and loan costs	662,283
	Depreciation	975,550
Exclusions:	Profits or losses on the sale or other disposition, not in the ordinary course of business, of fixed or capital assets or resulting from the early extinguishment of debt.	-
	Gifts, grants, bequests, donations and contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Debt Service or operating expense.	-
	Net proceeds of insurance (other than business interruption insurance) and condemnation awards.	-
	Change in net realized and unrealized investment (gains) losses	<u>9,688</u>
	Net Income Available for Debt Service	<u>\$1,924,584</u>
	Annual Debt Service for FYE 9/30/15	<u>\$1,061,840</u>
	Ratio of Net Income Available for Debt Service to Aggregate Annual Debt Service	<u>1.81</u>

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
SCHEDULE OF CURRENT RATIO
SEPTEMBER 30, 2015

Current Assets	
Cash and cash equivalents	\$ 655,961
Marketable securities	602,839
Current portion of assets whose use is limited	330,818
Receivables	967,303
Prepaid expense	61,155
Current portion of prepaid mortgage insurance	52,749
Inventory	<u>4,204</u>
Total Current Assets	<u>2,675,029</u>
Current Liabilities	
Accounts payable	90,356
Accrued liabilities	1,050,031
Current portion of long-term debt	<u>10,322</u>
Total Current Liabilities	<u>1,150,709</u>
Current Ratio	<u><u>2.32</u></u>

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
 SCHEDULE OF FUND BALANCES FOR ALL TRUSTEE-HELD FUNDS
 SEPTEMBER 30, 2015

	Estimated Fair Value			Cost
	U.S. Bank Money Market	Corporate CD's	Total	
2011 Series Bonds:				
Revenue Fund	\$ 4,281		\$ 4,281	\$ 4,281
Interest Fund	149,222		149,222	149,222
Principal Fund	6		6	6
Bond Reserve Fund	2,811	455,378	458,189	457,811
2015 Series Bonds:				
Revenue Account	293,530		293,530	\$ 293,530
Interest Account	6,239		6,239	\$ 6,239
Debt Service Reserve Account	866	552,129	552,995	554,866
Total	\$ 456,955	\$ 1,007,507	\$ 1,464,462	\$ 1,465,955

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
 SCHEDULE OF DAYS CASH ON HAND
 FOR THE YEAR ENDING SEPTEMBER 30, 2015

Cash and marketable securities		\$1,258,800
Less:	Donor restricted cash and marketable securities	-
	Cash and marketable securities not available per discretion of board of directors	-
		-
Net cash and marketable securities, after exclusions		\$1,258,800
Operating Expenses		\$11,149,041
Less:	Depreciation	(975,550)
	Amortization	(48,149)
	Bad Debt Provisions	(61,412)
		(1,085,111)
Net operating expenses, net of adjustments		\$10,063,930
Number of days in fiscal year		365
Costs per day		\$27,572
Days cash on hand		46

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
SCHEDULE OF OUTSTANDING INDEBTEDNESS
SEPTEMBER 30, 2015

California Municipal Finance Authority Insured Revenue Bonds, Series 2011	\$ 1,620,000
Less unamortized OID	(23,250)
California Health Facilities Financing Authority, Series 2015	11,965,000
Plus net unamortized premium	804,012
Equipment Financing	<u>46,248</u>
Total Outstanding Indebtedness	<u>\$ 14,412,010</u>

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
ANALYSIS OF CAPITAL REPLACEMENT EXPENDITURES
FOR THE YEAR ENDING SEPTEMBER 30, 2015

Capital Expenditures Placed Into Service:	
Land and site improvements	\$ 84,369
Computers	122,434
Equipment	2,338
Maintenance equipment	4,361
Dietary equipment	951
Furniture	11,446
Furnishments and furnishings	292,073
Building equipment - fixed	14,070
Building improvements	222,571
Total	<u>\$ 754,613</u>

Note A: Purchased Equipment, Repairs and Maintenance
These expenditures were acquired and placed into service during the fiscal year ended September 30, 2015 and are depreciable in accordance with generally accepted accounting principles.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 07/02/2015
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 555363	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED 06/29/2015
--	--	--	--

NAME OF PROVIDER OR SUPPLIER LINCOLN GLEN SKILLED NURSING	STREET ADDRESS, CITY, STATE, ZIP CODE 2671 PLUMMER AVENUE SAN JOSE, CA 95125
--	--

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
F 328	<p>Continued From page 1</p> <p>oxygen cylinder (E-Tank) was stored in a secure manner. This practice could result in serious injuries due to an explosion of a tipped or damaged cylinder. Findings:</p> <p>1. The clinical record for Resident 1 was reviewed on 6/22/15. The June, 2015 "Physician Orders" sheet indicated an order dated 6/9/14 for continuous oxygen therapy per nasal cannula.</p> <p>During the initial tour with the minimum data set coordinator (MDSC), on 6/22/15, at 8 a.m., Resident 1 was observed receiving oxygen therapy through an oxygen nasal cannula dated 6/14/15.</p> <p>During a concurrent interview with the MDSC, she stated the oxygen tubing should have been changed on 6/19/15, after five days of use.</p> <p>The facility's 10/2012 policy "Oxygen Nebulizers/Cannulas" indicated oxygen tubing is changed every five days.</p> <p>2. During an environmental tour on 6/24/15 at 12:10 p.m. with the facility's manager (FM), one E-Tank cylinder of oxygen in the oxygen supply room was upright and not stored and secured in the available cylinder rack or stands.</p> <p>During an interview on the above date and time with the FM, he stated the E-Tank containing oxygen was not in the oxygen rack or stand, but should have been.</p> <p>A review on 6/30/15 of the American Welder's Society website at www.aws.org, indicated to store oxygen cylinders upright and secure them</p>	F 328	<p>inserviced by the DON on 7/20/15 regarding the revised procedure. Additional signage was placed in the O2 closet reminding all staff to keep tanks secured.</p> <p><u>Monitoring:</u> Audits will be conducted weekly by the licensed staff to ensure O2 cannulas are changed per facility policy. The O2 closet will be monitored by the DON or her designee during routine safety inspections. Any issues identified will be addressed as needed in the quality assurance committee meetings.</p> <p><u>Date:</u></p>	7/20/15 ON-Going Weekly

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 07/02/2015
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 555363	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED 06/29/2015
NAME OF PROVIDER OR SUPPLIER LINCOLN GLEN SKILLED NURSING			STREET ADDRESS, CITY, STATE, ZIP CODE 2671 PLUMMER AVENUE SAN JOSE, CA 95125		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
F 328	Continued From page 2 with a chain, strap, or cable to a stationary building support or to a proper cylinder cart to prevent them from tipping or falling. Cylinders are very hazardous when exposed to damage from falling over or tipping, heat, electric circuits, motion, or vibration; anything that can cause a weakness or crack in the cylinder wall or shell. Such damage can cause the cylinder to rupture and explode sending sharp metal pieces, like shrapnel, blasting through the area.	F 328			
F 371 SS=E	483.35(i) FOOD PROCURE, STORE/PREPARE/SERVE - SANITARY The facility must - (1) Procure food from sources approved or considered satisfactory by Federal, State or local authorities; and (2) Store, prepare, distribute and serve food under sanitary conditions This REQUIREMENT is not met as evidenced by: Based on observation, interview, and record review, the facility failed to properly date and label a storage bin containing pinto beans. This failure had the potential for foodborne illnesses. Findings: During the initial kitchen tour with the director of dietary services (DSS) on 9/22/15 at 7:10 a.m. the following was observed: A large dry storage bin containing a small amount of pinto beans was unlabeled and dated 2/8/13,	F 371	<u>F371</u> Storage area was inspected by Director of Dining Services to ensure that all storage bins were properly and correctly labeled on 7/6/15 and to ensure that markers and labels were fully stocked for labeling. • Following the inspection, Director of Dining Services explained the reason for the inspection and verbally reviewed the labeling requirements and procedures with employees present. An in-service was conducted on 7/14/15 by Sam Ousey (RD) for all dietary staff on the importance of proper labeling and procedures for proper labeling. Weekly inspections of all food storage to ensure proper labeling of items stored will be conducted by the Dining Services Director.	7/6/15 7/6/15 7/14/15 ON-GOING WEEKLY	

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NAME OF PROVIDER OR SUPPLIER LINCOLN GLEN SKILLED NURSING	STREET ADDRESS, CITY, STATE, ZIP CODE 2671 PLUMMER AVENUE SAN JOSE, CA 95125
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(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
F 371	<p>Continued From page 3 indicating the last date pinto beans were placed in the bin.</p> <p>During an interview on the above date at 8:25 a.m. with the DSS, he stated the bin should have been labeled and the date was incorrect.</p> <p>Review of the facility's undated policy, "Receiving, Inventory and Storage" indicated, "Any opened products should be placed in seamless plastic or glass containers with tight-fitting lids and labeled and dated."</p> <p>The USDA 2009 HACCP (Hazard Analysis and Critical Control Point)/Food Safety Program indicated dry food, which is opened or removed from its original packaging, should be stored properly covered in food grade containers and clearly labeled.</p>	F 371	<p><i>F425</i> <u>Statement:</u> F483.60(a),(b) PHARMACEUTICAL SVC - ACCURATE PROCEDURES, RPH</p> <p><u>Identified corrective action:</u> The E-kit was replaced on 6/26/15.</p> <p><u>Application to remainder of residents:</u> No residents were affected.</p> <p><u>System application:</u> RN A was counseled on 6/26/15 re: the proper procedure for opening and ordering an replacement E-kit. Licensed staff will be in-service by the DON and Pharmacy consultant on 7/20/15 regarding E-kit procedures.</p> <p><u>Monitoring:</u> Compliance will be monitored by the Pharmacy consultant during monthly visits. Any issues identified will be addressed as needed in the quality assurance committee meetings.</p> <p><u>Date:</u></p>	6/26/15
F 425 SS=D	<p>483.60(a),(b) PHARMACEUTICAL SVC - ACCURATE PROCEDURES, RPH</p> <p>The facility must provide routine and emergency drugs and biologicals to its residents, or obtain them under an agreement described in §483.75(h) of this part. The facility may permit unlicensed personnel to administer drugs if State law permits, but only under the general supervision of a licensed nurse.</p> <p>A facility must provide pharmaceutical services (including procedures that assure the accurate acquiring, receiving, dispensing, and administering of all drugs and biologicals) to meet the needs of each resident.</p> <p>The facility must employ or obtain the services of a licensed pharmacist who provides consultation</p>	F 425	<p><u>Application to remainder of residents:</u> No residents were affected.</p> <p><u>System application:</u> RN A was counseled on 6/26/15 re: the proper procedure for opening and ordering an replacement E-kit. Licensed staff will be in-service by the DON and Pharmacy consultant on 7/20/15 regarding E-kit procedures.</p> <p><u>Monitoring:</u> Compliance will be monitored by the Pharmacy consultant during monthly visits. Any issues identified will be addressed as needed in the quality assurance committee meetings.</p> <p><u>Date:</u></p>	6/26/15 7/20/15 ON-GOING Monthly

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NAME OF PROVIDER OR SUPPLIER LINCOLN GLEN SKILLED NURSING	STREET ADDRESS, CITY, STATE, ZIP CODE 2671 PLUMMER AVENUE SAN JOSE, CA 95125
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F 425	<p>Continued From page 4 on all aspects of the provision of pharmacy services in the facility.</p> <p>This REQUIREMENT is not met as evidenced by: Based on observation, interview, and record review, the facility failed to ensure an emergency medication kit (E-kit) was replaced by pharmacy to ensure medications remained available in an emergency setting. Findings:</p> <p>The facility's 2010 policy "Emergency Pharmacy Service and Emergency Kits" indicated emergency medications and supplies are provided by the pharmacy in compliance with applicable state regulations.</p> <p>Review of the California Code of Regulations, Title 22, Section 72377(b)(2) indicated emergency medications are to be replaced within 72 hours of use.</p> <p>During an observation of Unit Plum's medication cupboard, with registered nurse A (RN A) on 6/26/15 at 3 p.m., the controlled substance E-kit with red plastic locks indicated it had been opened and not yet replaced with a new E-Kit by the pharmacy.</p> <p>During a concurrent interview with RN A, she stated she opened the box six days prior, on 6/20/15 to remove a medication after calling the pharmacy and asking for permission to take a medication from the kit.</p> <p>Review of the 2013 "E-Kit Tracking" form</p>	F 425	<p><u>Statement:</u> F483.60(b), (d), (e) <i>F431</i> DRUG RECORDS, LABELS/STORE DRUGS & BIOLOGICALS</p> <p><u>Identified corrective action:</u> A change of direction sticker was applied to the medication cards of resident 8 on 6/26/15 when the discrepancy was observed. Resident 8 was receiving the medication correctly as it was ordered by the physician.</p> <p><u>Application to remainder of residents:</u> On 7/9/15 the DON and Pharmacy consultant conducted an audit of all narcotic orders vs. pharmacy labels and sign out sheets to ensure labels were correct. Direction change stickers were applied as needed.</p> <p><u>System application:</u> The licensed staff will be in-serviced on 7/20/15 by the DON and Pharmacy consultant re: correct labeling of medications.</p> <p><u>Monitoring:</u> The monthly medication cart audit conducted by the licensed staff has been revised to include this check.</p>	<p><i>6/26/15</i></p> <p><i>7/9/15</i></p> <p><i>7/20/15</i></p> <p><i>on-going Monthly</i></p>
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F 425	Continued From page 5 indicated the controlled substance box was opened on 6/20/15, cosigned by two licensed nurses, and resealed with red plastic nonremovable tags, indicating the E-kit had been opened. During an interview with the assistant director of nursing (ADON) on 6/26/15 at 3 p.m., she stated the emergency kit should have been replaced by the pharmacy within 72 hours. During an interview with the consultant pharmacist (RPh) on 6/29/15 at 10:30 a.m., he stated the emergency medication kit should have been replaced within 72 hours.	F 425	Compliance will be monitored by the DON and Pharmacy consultant. Any irregularities identified will be addressed as needed in the quarterly quality assurance meeting. Date: <u>F465</u>		
F 431 SS=D	483.60(b), (d), (e) DRUG RECORDS, LABEL/STORE DRUGS & BIOLOGICALS The facility must employ or obtain the services of a licensed pharmacist who establishes a system of records of receipt and disposition of all controlled drugs in sufficient detail to enable an accurate reconciliation; and determines that drug records are in order and that an account of all controlled drugs is maintained and periodically reconciled. Drugs and biologicals used in the facility must be labeled in accordance with currently accepted professional principles, and include the appropriate accessory and cautionary instructions, and the expiration date when applicable. In accordance with State and Federal laws, the facility must store all drugs and biologicals in locked compartments under proper temperature controls, and permit only authorized personnel to	F 431	The drain coverings in bathrooms and showers were inspected by the Facility Manager by 7/10/15 to ensure no other drain coverings were broken or damaged. No additional repairs were required. The screen covering the drain in the Orchard Spa was removed and straightened and secured on 7/9/15 by the Facility Manager. Subsequent use indicated complete replacement was necessary. The drain screen was not adequate for the shower chairs in use as the wheels continued to damage the screen. A new and stronger drain screen was purchased and correctly installed on 7/14/15 by the Facility Manager.	7/10/15 7/9/15 7/14/15	

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F 431	<p>Continued From page 6 have access to the keys.</p> <p>The facility must provide separately locked, permanently affixed compartments for storage of controlled drugs listed in Schedule II of the Comprehensive Drug Abuse Prevention and Control Act of 1976 and other drugs subject to abuse, except when the facility uses single unit package drug distribution systems in which the quantity stored is minimal and a missing dose can be readily detected.</p> <p>This REQUIREMENT is not met as evidenced by: Based on observation, interview, and record review, the facility failed to ensure the accuracy of a prescription label of a controlled medication pill container and of a controlled substance requisition sheet (sign-out to track removal of a controlled medication) for one of five residents (Resident 8) during a random observation of controlled medications. For Resident 8, the dose listed on the prescription label did not match the dose ordered by the physician. This failure had the potential to result in the resident receiving an inaccurate dose of the medication. Findings:</p> <p>The clinical record for Resident 8 was reviewed on 6/26/15. The monthly "Physician Orders" for June, 2015 indicated an order for Ultram (generic name Tramadol) 50 milligram (mg) tablet (a pain reliever), one tablet two times a day for pain management was ordered on 5/22/15. Resident 8's June 2015 "Medication Administration Record" (MAR) indicated Ultram 50 mg tablet - one tablet two times a day with an order date of 5/22/15.</p>	F 431	<p>On quarterly facility inspections prior to QA Meeting, the Facility Manager will inspect condition of drain coverings to ensure they are safe and securely in place.</p> <p><u>F 492</u> <u>Statement: F483.75(B)</u> COMPLY WITH FEDERAL/STATE/LOCAL LAWS/PROF STANDARDS</p> <p><u>Identified corrective action:</u> RN D was In-serviced by the DON on 7/10/15. Orientation records for RN D dated 10/1/14 reflect that obtaining informed consent was reviewed but since during his short tenure with this facility (on the night shift) he has not had a new order for psychotropic medications he was unfamiliar with all the details of the procedure. RN D stated on 7/10/15 that he understands only the ordering prescriber can obtain informed consent.</p> <p><u>Application to remainder of residents:</u> No residents were affected.</p>	<p>On-Going Quarterly</p> <p>7/10/15</p> <p>7/10/15</p>	

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F 431	<p>Continued From page 7</p> <p>During a random observation of controlled medications with licensed vocational nurse B (LVN B), on 6/26/15 at 3:45 p.m., Resident 8's medication container and controlled substance requisition labels both read Tramedol 50 milligram (mg) tablet: take one tablet three times per day.</p> <p>During a concurrent interview with LVN B, on the above date and time, she stated the medicine prescription labels on Resident 8's medication container of Tramedol 50 mg and the controlled substance requisition sheet were different from the physician's order written on 5/22/15. LVN B stated the prescription labels on the medication and requisition sheet should contain a "direction change" sticker to reflect the updated physician's order for lower dosage.</p> <p>During an interview with the director of nursing (DON) on 6/26/15 at 4 p.m. she stated a "change of direction" sticker should be affixed to the prescription labels of the medication and to the requisition sheet to reflect the current physician order.</p> <p>During a telephone interview with the registered consultant pharmacist (RPh) on 6/29/15, at 10:30 a.m., he stated the pharmacy should have dispensed Resident 8's medication with a prescription label indicating the 5/22/15 physician order for Tramedol 50 mg two times a day.</p> <p>The facility's 2007 policy " Medication Administration General Guidelines" indicated prior to administration of a medication, the resident's MAR should be compared to the medication prescription label. If they do not match, the prescriber's order should be checked for correct</p>	F 431	<p><u>System application:</u> Licensed staff will be in-serviced by the DON and Pharmacy consultant on 7/20/15, reminding them of the proper procedure for obtaining informed consent for psychotherapeutic medications.</p> <p><u>Monitoring:</u> Compliance will be monitored by the DON or her designee during the monthly psychotropic/behavioral care committee meetings. Any issues identified will be addressed as needed in the quarterly quality assurance meetings.</p> <p><u>Date:</u></p>	<p>7/20/15</p> <p>ON-Going Monthly</p>	

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NAME OF PROVIDER OR SUPPLIER LINCOLN GLEN SKILLED NURSING	STREET ADDRESS, CITY, STATE, ZIP CODE 2671 PLUMMER AVENUE SAN JOSE, CA 95125
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F 431 F 465 SS=D	<p>Continued From page 8 directions and dosage schedule. A "direction change" sticker should then be applied to the medication label and requisition sheet with the corrected physician medication order.</p> <p>483.70(h) SAFE/FUNCTIONAL/SANITARY/COMFORTABLE ENVIRONMENT</p> <p>The facility must provide a safe, functional, sanitary, and comfortable environment for residents, staff and the public.</p> <p>This REQUIREMENT is not met as evidenced by: Based on observation, interview and record review, the facility failed to ensure the residents' environment was safe and functional when a shower drain screen was held in place by one screw and was sunk down into the drain. This failure had the potential to be a tripping and/or fall hazard for the residents. Findings:</p> <p>During the initial tour with the facility's manager (FM) on 6/24/15 at 11:45 a.m., the Central Orchard shower drain screen was attached to the floor with one screw. The screen was bent down into the drain creating a deep hole and an uneven surface for residents using the shower.</p> <p>During a concurrent interview with the FM, he stated the bent screen in the shower drain was "a hazard." The FM stated, "This is a thinner drain and it sinks down." The FM stated the screen needed to be removed and straightened or replaced by a more rigid screen if he could find one.</p>	F 431 F 465		

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STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 555333	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED 06/29/2015
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NAME OF PROVIDER OR SUPPLIER LINCOLN GLEN SKILLED NURSING	STREET ADDRESS, CITY, STATE, ZIP CODE 2671 PLUMMER AVENUE SAN JOSE, CA 95125
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F 465	Continued From page 9 During an interview on 6/29/15 at 11 a.m. with certified nurse assistant C (CNA C), she stated Central Orchard shower was used daily for all residents on Stations 1 and 2. Review of the facility's undated policy, "Policy For Maintenance Service" indicated "The maintenance department is responsible for maintaining the buildings...in a safe and operable manner at all times". The policy indicated maintaining the building in good repair and free from hazard and maintaining plumbing fixtures in good working order were the functions performed by maintenance.	F 465		
F 492 SS=D	483.75(b) COMPLY WITH FEDERAL/STATE/LOCAL LAWS/PROF STD The facility must operate and provide services in compliance with all applicable Federal, State, and local laws, regulations, and codes, and with accepted professional standards and principles that apply to professionals providing services in such a facility. This REQUIREMENT is not met as evidenced by: Based on interview and record review, the facility failed to ensure registered nurse D (RN D) was knowledgeable regarding compliance with state regulations and laws for obtaining informed consent for an antipsychotic (drug used to treat psychotic disorders) medication. This practice had the potential for residents to make a decision without receiving accurate information about the medication. Findings: During review on 6/24/15 at 7:40 a.m. of Resident	F 492		

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F 492	<p>Continued From page 10</p> <p>1's "Antipsychotic Use Survey Tool", RN D was asked to explain the facility's policies for verifying informed consent for the use of antipsychotic medication.</p> <p>During an interview on the above date and time with RN D, he stated he could call the responsible party/resident and obtain consent for the psychotropic medication. RN D stated if the physician was not available, RN D was able to obtain consent and fill out the consent form.</p> <p>Review on 6/24/15 of the facility's 09/2011 revised policy, "POLICY ON INFORMED CONSENT FOR PSYCHOTHERAPEUTIC DRUGS AND PHYSICAL RESTRAINTS" indicated, "The prescribing physician is responsible for obtaining informed consent from the resident/surrogate."</p>	F 492		
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CONTRACTS BRANCH

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.

FINANCIAL STATEMENTS

Year Ended September 30, 2015

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.

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C. RENDELL BAYLESS CPA
51 E Campbell Ave Ste 101A
Campbell CA 95008
(408) 356-4225

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lincoln Glen Manor for Senior Citizens, Inc.
San Jose, California

I have audited the accompanying financial statements of Lincoln Glen Manor for Senior Citizens, Inc., which comprise the statement of financial position as of September 30, 2015, and the related statements of activity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Board of Directors
Page 2 of 2

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Glen Manor for Senior Citizens, Inc. as of September 30, 2015 and statements of activity and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Campbell, California
January 29, 2016

C. Rendell Bayless

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2015

ASSETS

Cash and cash equivalents	\$655,961
Assets whose use is limited (note 2)	1,464,462
Investments (note 3)	602,839
Investment in captive insurance company (note 4)	137,864
Receivables (note 5)	967,303
Prepaid expense	1,142,502
Inventory	3,614
Property and equipment, net (note 6)	14,048,791
Bond issuance costs, net (note 7)	<u>1,557,774</u>
 Total assets	 <u>\$20,581,110</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$90,356
Accrued Liabilities	
Interest	330,818
Wages and payroll taxes	676,540
Other accrued expense	42,673
Application and other deposits payable	19,374
Long-Term Debt (note 7)	<u>14,412,010</u>
 Total Liabilities	 15,571,771
 Net assets – unrestricted	 <u>5,009,339</u>
 Total liabilities and net assets	 <u>\$20,581,110</u>

See accompanying notes to financial statements.

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
STATEMENT OF ACTIVITY
For the Year Ended September 30, 2015

REVENUE AND SUPPORT:

Elderly and congregate services income	\$7,359,422	
Rent	3,929,087	
Contributions and grants received	11,837	
Laundry and meals	6,605	
Other	<u>110,899</u>	\$11,417,850

EXPENSES

Administrative	1,367,912	
Utilities	260,087	
Operating & maintenance	564,225	
Property taxes and insurance	215,872	
Group health benefits	876,024	
Financial	662,283	
Bad debt expense	61,412	
Dietary expense	1,393,301	
Elderly and congregate service expense	3,623,694	
Housekeeping expense	298,091	
Linens and laundry	93,684	
Activities and social services expense	361,745	
Depreciation	975,550	
Ancillary nursing services	<u>395,161</u>	<u>11,149,041</u>

CHANGE IN NET ASSETS FROM OPERATIONS 268,809

OTHER INCOME (EXPENSE)

Investment income (loss) (note 3)	<u>8,254</u>	<u>8,254</u>
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CHANGE IN NET ASSETS 277,063

NET ASSETS AT BEGINNING OF YEAR 4,732,276

NET ASSETS AT END OF YEAR \$5,009,339

See accompanying notes to financial statements.

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2015

Cash flows from operating activities:	
Change in net assets	\$277,063
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	975,550
Amortization of debt issuance costs	55,174
Amortization of bond issue discount and premium	(53,427)
Amortization of prepaid mortgage insurance	46,402
Realized and unrealized (gains) losses on investments	9,689
Change in operating asset and liability accounts:	
Accounts receivable	(167,199)
Prepaid expenses	5,351
Inventory	590
Accounts payable	(643)
Accrued interest payable	(38,392)
Accrued wages and payroll taxes	(38,866)
Change in applications and other deposits payable	2,550
Other accrued expense	<u>(90,298)</u>
Net cash provided by operating activities	983,544
Cash flows from investing activities:	
Acquisition of property and equipment	(852,929)
Net (increase) decrease in trustee assets whose use is limited to debt service and project costs	<u>154,953</u>
Net cash used in investing activities	(697,976)
Cash flows from financing activities:	
Proceeds from new bond financing	12,825,187
Bonds defeased from new bond financing	(11,420,000)
Deferred costs net of escrowed funds for defeased bonds	(932,056)
Bond issuance costs for new bond financing	(284,914)
Prepaid mortgage insurance for new bond financing	(402,951)
Net equipment financing increase	<u>46,248</u>
Net cash provided (used) in financing activities	(168,486)
 INCREASE IN CASH AND CASH EQUIVALENTS	 117,082
Cash and cash equivalents at beginning of year	<u>538,879</u>
Cash and cash equivalents at end of year	<u>\$655,961</u>
Cash paid during the year for interest	<u>\$409,273</u>

See accompanying notes to financial statements.

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Lincoln Glen Manor for Senior Citizens, Inc., was incorporated October 1, 1965 under the laws of California as a non-profit corporation for the specific purposes of providing housing for the aged. Subsequently, a new division was formed that currently provides skilled nursing services. In October 2001 a 31 unit Assisted Living Center was placed into service. A completely remodeled Central Manor with a new kitchen, dining area, chapel, offices and activity rooms were placed into service in late 2012 and a new Memory Care Center with 11 units was placed into service in December of 2012.

In 2015, the organization received approval to change their designation from the status of a Multiple Level Retirement Community (MLRC) to a Continuing Care Retirement Community (CCRC). In order to facilitate this change, a new entity was formed – Lincoln Glen Manor, LLC (a California nonprofit limited liability company). Lincoln Glen Manor LLC leases the independent, unlicensed residential living apartments and cottages from Lincoln Glen Manor for Senior Citizens, Inc. These financial statements include and consolidate all of the activity of Lincoln Glen Manor, LLC together with Lincoln Glen Manor for Senior Citizens, Inc.

Memberships

Lifetime memberships in the corporation are offered at \$500 per individual. Members are entitled to priority admittance to the organization's facilities and have certain other rights including electing the Board of Directors. The benefits and rights represented by the membership terminate at the death of the member.

Accounting Method

The facilities account for all transactions using the accrual method of accounting, whereby income is recorded when earned and expenses are recorded when incurred.

Financial Statement Presentation

The financial statements are presented in conformance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the projects are required to report information regarding the nature and amount of its net assets.

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

Property and Equipment

Property and equipment are stated at cost and are being amortized or depreciated over their estimated useful lives ranging from 3 to 40 years by use of the straight-line method.

Interest costs relating to construction in progress are capitalized. Capitalization of interest costs will cease when the construction is completed and the property is placed into service.

Income Taxes

There is no provision for income taxes, since the corporation is exempt under provisions of I.R.C. Section 501 C (3).

The Organization applied the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with the income tax standard. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

For the year ended September 30, 2015, there were no liabilities recorded for unrecognized tax benefits related to tax positions taken in the current year or past years and no accruals for interest and penalties related to uncertain tax positions.

The Organization files a United States federal tax return and a California state return. The tax years 2011 through 2014 remain open and subject to examination by the appropriate governmental agencies in the United States and California.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents. The organization has no cash equivalents at September 30, 2015. The organization maintains its cash balances in financial institutions, which at times may exceed federally insured limits. The organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

Investments

Investments in equity and debt securities are reported at fair value in the statement of financial position. Realized and unrealized gains and losses are recognized in the statement of activities.

Contributions

Contributions are recognized as revenue in the period received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of assets other than cash are recorded at their estimated fair value at date of donation. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support.

The Organization's policy is to report donor-imposed restricted contributions whose restrictions are met in the same period as received as unrestricted support.

Contributions of services are recognized when received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For the year ended September 30, 2015, there were no contributed services meeting the requirements for recognition in the financial statements.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, prepaid expenses and accrued liabilities, none of which are held for trading purposes, approximate the fair value due to the short-term maturities of those instruments. The carrying amount of the note payable and bonds payable approximates the fair value.

Fair value measurement applied to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Additionally, from time to time, the Organization may be required to record at fair value other assets on a nonrecurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets. Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment.

The Organization also adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value; however the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Healthcare Services Revenue

Healthcare services revenue includes room charges and ancillary services to residents and is recorded at established billing rates net of contractual adjustments resulting from agreements with third-party payors, if applicable.

Provisions for estimated third-party payors settlements are provided in the period the related services are rendered. Differences between the amounts accrued and the subsequent settlements are recorded in operations in the year of settlement.

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended September 30, 2015

Third Party Reimbursement Agreements

Medi-Cal

The Organization participates in the Medi-Cal program that is administered by the California Department of Health and Human Services Agency, Department of Health Services. The Department determines Medi-Cal rates for the facility every August 1. The rates are determined by re-basing all filed cost reports every three years.

The final rates are set from facility cost reports with minimum and maximum reimbursements calculated from peer facilities. Medi-Cal pays a flat daily rate which does not account for the acuity of the resident. The Organization must submit a cost report for each year based on its fiscal year. Rates derived from the above system are subject to retroactive adjustment by field audit.

Medicare

A licensed nursing facility which participates in the Medicare program for the year ended September 30, 2015 was reimbursed based on a Prospective Payment System (PPS). This program is administered by the United States Department of Health and Human Services. The PPS is a per diem price based system. Annual cost reports are submitted to the designated intermediary; however, they will not contain a cost settlement.

NOTE 2 – ASSETS WHOSE USE IS LIMITED

Assets whose use is limited includes assets restricted by bond indentures for construction and debt service. Assets are held by fiscal agents to be used only for specific bond projects, payments of long-term debt and maintaining required reserves.

The estimated fair value and costs of assets limited as to use at September 30, 2015 is as follows:

	<u>Cost</u>	<u>Estimated Fair Value</u>
Cash and Cash Equivalents	\$456,956	\$456,956
Corporate Issues	<u>1,009,000</u>	<u>1,007,506</u>
Total	<u>\$1,465,956</u>	<u>\$1,464,462</u>

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended September 30, 2015

NOTE 3 – INVESTMENTS

Investments are stated at fair value based on quoted prices in active markets (all Level 1 measurements) and consist of the following at September 30, 2015:

Mutual Funds & Exchange Traded Funds	<u>\$602,839</u>
Total	<u>\$602,839</u>

Investment income consists of the following:

Interest and dividends	\$17,942
Net realized and unrealized gains (losses)	<u>(9,688)</u>
Total investment income (loss)	<u>\$ 8,254</u>

NOTE 4 – INVESTMENT IN CAPTIVE INSURANCE COMPANY

In January 2005, the Organization invested in a captive insurance company entitled the Peace Church Risk Retention Group (PCRRG), a joint venture consisting of approximately 40 members. PCRRG is a self-funded and self-governed insurance company, offering its members relief from volatile general and professional liability insurance costs through greater management of risk. PCRRG converted from a stock insurance company to a reciprocal insurance exchange effective December 31, 2007. The Organization accounts for its investment using the equity method.

The investment in PCRRG is \$137,864 as of September 30, 2015.

NOTE 5 – RECEIVABLES

Receivables are carried at amounts that approximate fair value. Receivables at September 30, 2015 consisted of:

Due from residents and private pay	\$ 327,741
Medi-Cal	373,513
Medicare	355,473
Due from employees	102,352
Allowance for doubtful accounts	<u>(191,776)</u>
Total Receivables	<u>\$967,303</u>

The Organization provides an allowance for doubtful accounts using management's judgment. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice. Accounts are periodically analyzed for collectability.

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended September 30, 2015

NOTE 6 – PROPERTY & EQUIPMENT

Property and equipment consists of the following:

Land	\$222,773
Buildings and improvements	17,961,571
Construction in progress	4,000
Equipment, furnishings & other improvements	<u>5,405,025</u>
	23,593,369
Less accumulated depreciation	<u>9,544,578</u>
Property and equipment, net	<u>\$14,048,791</u>

Depreciation expense for the year ended September 30, 2015 was \$975,550.

NOTE 7 – LONG TERM DEBT

In April, 2011, the organization issued \$14,000,000 California Municipal Finance Authority Insured Revenue Bonds, Series 2011. The bonds bear interest at rates between 3.0% to 6.25%, with interest payments made semi-annually on April 1 and October 1. The bonds mature annually from 2012 to 2035, in amounts ranging from \$310,000 to \$1,010,000.

The funds were used to refund all of the outstanding ABAG Finance Corporation for Nonprofit Corporations Insured Certificates of Participation, Series 2000, finance the renovation of existing buildings, finance the costs of construction of a 31 unit assisted living facility, finance the conversion of 8 independent living units into 11 memory care beds for patients suffering from Alzheimer’s disease and dementia, finance the expansion, remodeling and updating of the Corporation’s Central Manor, fund a reserve fund for Bonds, and pay certain of the costs of issuance of the Bonds.

In February 2015, the California Health Facilities Financing Authority (“CHFFA”), on behalf of Lincoln Glen Manor for Senior Citizens issued Insured Refunding Revenue Bonds amounting to a principal amount of \$11,965,000 plus a net bond premium of \$860,187. The proceeds of the Bonds were used to provide for the advance refunding of a portion of the outstanding California Municipal Finance Authority Insured Revenue Bonds (Lincoln Glen Manor for Senior Citizens), Series 2011, plus fund a reserve fund for the Series 2015 Bonds and pay for a portion of the costs of issuance of the Series 2015 Bonds.

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

Land and buildings of the organization's as well as monies and securities held in trust and gross revenues secure the Bonds. The organization is required to meet certain debt coverage covenants. These covenants were met as of September 30, 2015. Mandatory sinking account payments are required for both the retained 2011 Series Bonds as well as the Series 2015 Bonds.

Bond issuance costs of \$458,905 for the 2011 Bond Series are being amortized on a straight-line basis over the life of the obligations. Bond issuance costs of \$284,914 for the 2015 Series Bonds are being amortized over the life of those obligations. A deferred charge relating to the defeased 2011 series bonds amounts to \$932,056 and is being amortized over the original life of the 2011 bond series.

In November 2014, the organization financed the purchase of a bus. The amount financed was \$55,192 and requires monthly principal and interest payments of \$1,064, with an interest rate of 5.89%. The equipment obligation is secured by the bus.

Scheduled principal maturities for these debt obligations for the next five years and thereafter are:

<u>Year ended</u> <u>September 30</u>	<u>2011 Bond</u> <u>Amount</u>	<u>2015 Bond</u> <u>Amount</u>	<u>Equipment</u> <u>Finance</u>
2016	\$0	\$0	\$10,322
2017	0	0	10,947
2018	380,000	95,000	11,609
2019	395,000	95,000	12,312
2020	415,000	100,000	1,058
Thereafter	430,000	11,675,000	0
Sub-Total	1,620,000	11,965,000	46,248
Unamortized Premium/Disc	(23,250)	804,012	0
Total	1,596,750	12,769,012	46,248

The fair value of long-term debt is calculated based on the estimated trade values as of September 30, 2015. The value is estimated using the rates currently offered for like debt instruments with similar remaining maturities.

	<u>Cost</u>	<u>Fair Value</u>
Long-Term Debt	<u>\$14,412,010</u>	<u>\$14,412,010</u>
Total	<u>\$14,412,010</u>	<u>\$14,412,010</u>

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 8 – UNRESTRICTED NET ASSETS

None of the Organization's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets under SFAS No. 117.

NOTE 9 – FUNCTIONAL ALLOCATION OF EXPENSES

Functional classification of expenses for the year ended September 30, 2015 consisted of the following:

Program	\$8,774,598
Management and General Support	<u>2,374,443</u>
Total Operating Expenses	<u>\$11,149,041</u>

Fund raising expenses incurred during the year were immaterial.

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting services, are allocated based on the best estimates of management.

NOTE 10 – RETIREMENT PLAN

The organization has a 403(b) plan administered by an insurance company that allows eligible employees to contribute money on a pre-tax basis. For the fiscal year ending September 30, 2015, the organization matched 2% of the employees' contributions.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events to January 29, 2016, the date which the financial statements were available to be issued, and determined that no reportable events occurred.

LINCOLN GLEN MANOR FOR SENIOR CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 12 – CONTINGENCIES AND COMMITMENTS

Government Regulations – Medi-Cal

The California Health and Human Services Agency, Department of Health Services, reserves the right to perform field audit examinations of the Organization's records. Any adjustments resulting from such an examination could retroactively adjust Medi-Cal revenue.

Government Regulations – Medicare

The Medicare intermediary has the authority to audit the skilled nursing facility's records any time within a three-year period after the date the skilled nursing facility received a final notice of program reimbursement for each cost reporting period. Any adjustments resulting from these audits could retroactively adjust Medicare revenue.

Other

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirement, reimbursement for patient services, and Medicare and Medi-Cal 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 resident services previously billed.

Litigation

The Organization is subject to asserted and unasserted claims encountered in the normal course of business. In the opinion of management, there are no pending legal proceedings or claims that will have a material effect on the Organization's financial condition or results of operation.

C. RENDELL BAYLESS CPA
51 E Campbell Ave Ste 101A
Campbell CA 95008
(408) 356-4225

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JUN 03 2016

CONTINUING CARE
CONTRACTS BRANCH

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lincoln Glen Manor for Senior Citizens, Inc.
San Jose, California

I have audited the accompanying continuing care reserve report ("Reports") of Lincoln Glen Manor for Senior Citizens, Inc. as of September 30, 2015. These Reports are the responsibility of the Company's management. My responsibility is to express an opinion on the Reports based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the Reports are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Reports, assessing the accounting principles used and significant estimates made by the Company's management, as well as evaluating the overall presentation of the Reports. I believe that my audit provides a reasonable basis for my 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 Company's assets, liabilities, revenues and expenses.

In my opinion, the Reports present fairly, in all material respects, the liquid reserve requirements of the Company as of September 30, 2015, in conformity with the report preparation provisions of California Health and Safety Code section 1792.

This report is intended solely for the use of the Company and for filing with the California Department of Social Services and is not intended to be and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Campbell, California
May 25, 2016

C Rendell Bayless

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	04/27/11	\$0	\$74,600		\$74,600
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:			\$74,600	\$0	\$74,600

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

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

PROVIDER: Lincoln Glen Manor for Senior Citizens

**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	11/24/14	\$2,763	\$231	12	\$2,772
2	02/11/15	\$0	\$229,709	2	\$459,418
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$2,763	\$229,940	14	\$462,190

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

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

PROVIDER: Lincoln Glen Manor for Senior Citizens

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

Line	TOTAL
1 Total from Form 5-1 bottom of Column (e)	\$74,600
2 Total from Form 5-2 bottom of Column (e)	\$462,190
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:	\$536,790

PROVIDER: Lincoln Glen Manor for Senior Citizens

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$11,149,041
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$614,314
	b. Credit enhancement premiums paid for long-term debt (see instructions)	
	c. Depreciation	\$975,550
	d. Amortization	\$48,149
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$11,252,075
	f. Extraordinary expenses approved by the Department	
3	Total Deductions	\$12,890,088
4	Net Operating Expenses	-\$1,741,047
5	Divide Line 4 by 365 and enter the result.	-\$4,770
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	-\$357,749

PROVIDER: Lincoln Glen Manor for Senior Citizens
COMMUNITY: 0

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: Lincoln Glen Manor for Senior Citizens
 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	\$536,790
[2] Operating Expense Reserve Amount	-\$357,749
[3] Total Liquid Reserve Amount:	\$179,041

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		\$655,961
[5] Investment Securities		
[6] Equity Securities		\$602,839
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve	\$1,464,462	(not applicable)
[10] Other: (describe qualifying asset)		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	\$1,464,462 [12]	\$1,258,800
Reserve Obligation Amount: [13]	\$536,790 [14]	-\$357,749
Surplus/(Deficiency): [15]	\$927,672 [16]	\$1,616,549

Signature: 
 (Authorized Representative)

Date: 5-26-16

CEO/Executive Director
 (Title)

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

Date Prepared: 5-21-2016

FACILITY NAME: Lincoln Glen Manor for Senior Citizens
 ADDRESS: 2671 Plummer Avenue San Jose, CA ZIP CODE: 95125 PHONE: 408-265-3222
 PROVIDER NAME: Lincoln Glen Manor for Senior Citizens FACILITY OPERATOR: _____
 RELATED FACILITIES: _____ RELIGIOUS AFFILIATION: Mennonite Brethren
 YEAR OPENED: 1970 # OF ACRES: 6 SINGLE MULTI- OTHER: Primarily 1 story, ALC is 2 story
 MILES TO SHOPPING CTR: .3
 MILES TO HOSPITAL: 4.3

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>8</u>	ASSISTED LIVING: <u>31</u>
APARTMENTS — 1 BDRM: <u>16</u>	SKILLED NURSING: <u>59</u>
APARTMENTS — 2 BDRM: _____	SPECIAL CARE: <u>11</u>
COTTAGES/HOUSES: <u>32</u>	DESCRIPTION: > <u>42 units of Residential Care for the Elderly 11 licensed as</u>
RLU OCCUPANCY (%) AT YEAR END: <u>89%</u>	> <u>Dementia Care</u>

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

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

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER: No entrance fee model

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

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Up to 20 days in Skilled Nursing Facility

ENTRY REQUIREMENTS: MIN. AGE: 65 PRIOR PROFESSION: none OTHER: none

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Functions as full member of the board of Directors, Individual
 > appointed to serve a three year term.

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 checked="" type="checkbox"/>	HOUSEKEEPING (<u>2</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 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 type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input 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"/>			

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.
 Page 1 of 4

PROVIDER NAME: Lincoln Glen Manor for Senior Citizens

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	9,187,271	9,588,988	10,417,708	11,406,013
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	8,192,424	8,834,565	9,253,414	9,511,208
NET INCOME FROM OPERATIONS	994,847	754,423	1,164,294	1,894,805
LESS INTEREST EXPENSE	514,150	658,703	715,448	614,134
PLUS CONTRIBUTIONS	20,032	29,172	16,642	11,837
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	95,780	99,000	117,234	8,254
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	596,509	223,892	582,722	1,300,762
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	0	0	0	0

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 ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
CA Muni Fin Auth Ins Rev Bnd 2011	1,620,000	4.75%	4/27/2011	4/1/2021	299 Months
CA Hlth Fac FinAuth Ins Bonds 2015	11,675,000	3.36%	2/11/2015	4/1/2036	254 Months
TCF Equipment Finance	46,248	5.89%	11/24/2014	10/24/2019	60 Months

FINANCIAL RATIOS (see next page for ratio formulas)

	<u>2013 CCAC Medians 50th Percentile (optional)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
DEBT TO ASSET RATIO		0.66	0.66	0.70
OPERATING RATIO		0.99	0.96	0.89
DEBT SERVICE COVERAGE RATIO		0.84	1.22	2.94
DAYS CASH ON HAND RATIO		47.34	42.00	45.38

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	2,627	4.5	2,745	4.5	2,868	5.75	3,033
ONE BEDROOM	2,915	4.5	3,047	4.5	3,184	5.2	3,351
TWO BEDROOM							
COTTAGE/HOUSE	2,915	4.5	3,047	4.5	3,184	5.3	3,354
ASSISTED LIVING	5,482	3.0	5,645	5.5	5,955	9.5	6,515
SKILLED NURSING	10,555	5.2	10,980	4.0	11,558	5.3	12,015
SPECIAL CARE							

COMMENTS FROM PROVIDER: > Assisted Living had been holding fees down by approximately 4.5%-5% in an effort to be overly competitive in this marketplace.
 > To cover costs (losses) adjustments of the fees had to be made. In addition, the needs of Assisted Living residents were growing more quickly than other levels and additional staff (part time and full time) had to be added.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	\$ <u>2,868.⁰⁰ - \$4,314.⁰⁰</u>	\$ <u>5,955.⁰⁰ - \$6,765.⁰⁰</u>	\$ <u>11,558.⁰⁰</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>5.2% - 5.75%</u>	<u>9.5%</u>	<u>5.3%</u>

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

[3] Indicate the date the fee increase was implemented: Residential Living & Skilled Nursing 11/1/15
Assisted Living 12/1/15
(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: LINCOLN GLEN MANOR FOR SENIOR CITIZENS
COMMUNITY: _____

Lincoln Glen Manor for Senior Citizens

Rationale for increase in monthly service fees

General cost increases:

In the budget we estimated a cost increase for food and food related supplies for 2015-2016 of 6%. This was based upon estimates from Innovatix, our contracted supplier and our suppliers for meat, produce and dairy products. We also faced a significant increase in wages to over \$10.00 per hour for many in our Dietary, Laundry, Activity and Housekeeping Departments. This would increase our average salaries in those departments by more than 10%. The general increase for staff was budgeted to be 3% for all other staff. Food costs and labor costs are our largest cost centers and are shared by all facilities.

The other major cost increase was in health insurance directly related to the Affordable Healthcare Act. Our health insurance costs would increase, on average, by an estimated 8%-10% across the board. We did not have latitude to offer less coverage and were forced into more expensive plans. Additionally, we were forced by new laws to offer insurance to many who had opted out in the past. Adding new people to our plans is a costly endeavor. We estimated that the additional cost for this required coverage could exceed \$100,000 in this year.

Capital Costs

We had a goal over 24-30 months to remodel all independent living units and install all new roofs on our 32 cottages. This is why the average cost for residential units exceeded our historical increase average of 4%-5% by a small percentage. As time goes on, these amounts should be able to be absorbed into the standard historical increase averages.

Increase in Assisted Living

For a number of years we had been absorbing a loss in Assisted Living in an attempt to be as competitive as possible. In addition to the costs listed above, the labor requirements for Assisted Living were increasing. The age and the level of assistance needed was increasing and where we had two staff, three were now needed and part-time people were needed to meet the needs of the residents in the early morning and evening. We had to make budgetary adjustments to allot for the increasing number of resident assistants and it was imperative that we add additional activity staff to more effectively meet the needs of residents with dementia and limited mobility. We estimated that, in addition to a 3% increase for salaries, our staff needs would increase by 7%-10%, thereby increasing our costs by the approximately same number.

Charges at facilities around us were increasing and we needed to increase basic fees by enough to help us cover our small losses and the costs listed above. Assisted Living need to stand on its own financial feet, and it has.

Skilled Nursing

In addition to the general costs above, Skilled Nursing is working to maintain its 5 star Medicare rating. To do this, we have had to increase Certified Nursing Assistant hours and have worked to increase our R.N. nursing hours. R.N.'s are more expensive than L.V.N.'s and we have added two part-time Certified Nursing Assistants, six days a week to help with meal service and personal needs. Historically, our increases range from 3.5%-5 %, so we are very close to that average at 5.3%. As the Assisted Living facility becomes stronger financially, it takes some of the financial stress off the other facilities.

KEY INDICATORS REPORT

Lincoln Glen Manor for Senior Citizens

Date Prepared: 5/25/2016

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



Chief Executive Officer Signature

	2011	2012	2013	2014	2015	Projected 2016	2017	Forecast	Preferred Trend Indicator
OPERATIONAL STATISTICS									
1. Average Annual Occupancy by Site (%)	92.15%	88.12%	80.73%	88.90%	90.59%	89.76%			N/A
MARGIN (PROFITABILITY) INDICATORS									
2. Net Operating Margin (%)	11.30%	10.83%	7.87%	11.18%	16.61%	17.20%			↑
3. Net Operating Margin - Adjusted (%)	11.30%	10.83%	7.87%	11.18%	16.61%	17.20%			↓
LIQUIDITY INDICATORS									
4. Unrestricted Cash and Investments (\$000)	\$2,823	\$1,738	\$1,231	\$1,147	\$1,259	\$1,370			↑
5. Days Cash on Hand (Unrestricted)	120	74	47	42	45	55			↑
CAPITAL STRUCTURE INDICATORS									
6. Deferred Revenue from Entrance Fees (\$000)	\$0	\$0	\$0	\$0	\$0	\$0			N/A
7. Net Annual E/F proceeds (\$000)	\$0	\$0	\$0	\$0	\$0	\$0			N/A
8. Unrestricted Net Assets (\$000)	\$12,604	\$17,415	\$17,976	\$17,448	\$19,117	\$19,500			N/A
9. Annual Capital Asset Expenditure (\$000)	\$2,096	\$5,943	\$2,045	\$537	\$853	\$800			N/A
DEBT SERVICE COVERAGE									
10. Annual Debt Service Coverage Revenue Basis (x)	1.65	0.95	0.84	1.22	2.94	3.30			↑
11. Annual Debt Service Coverage (x)	1.65	0.95	0.84	1.22	2.94	3.3			↑
12. Annual Debt Service/Revenue (%)	6.57%	8.94%	10.12%	10.06%	5.70%	5.60%			↓
13. Average Annual Effective Interest Rate (%)	2.59%	5.50%	5.35%	5.36%	2.38%	2.40%			↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	20.68%	16.40%	9.46%	9.05%	8.74%	8.58%			↑
15. Average Age of Facility (years)	13.74	15.51	11.66	9.56	9.78	10.2			↓

Forecast

2016
RECEIVED
JUN 03 2016

CONTINUING CARE
CONTRACTS BRANCH