FISCAL YEAR ENDED:
12 / 31 / 15

ANNUAL REPORT CHECKLIST

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CONTINUING CARE
CONTRACTS BRANCH

PROVIDER(S): Northern California Presbyterian Homes & Services, Inc.

CCRC(S): The Sequoias - San Francisco, The Sequoias - Portola Valley, and The Tamalpais

CONTACT PERSON: Belinda Ong, Controller

TELEPHONE NO.: (415) 202-7810 **EMAIL:** bong@ncphs.org

● ●

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

- [x] Annual Report Checklist.
- [x] Annual Provider Fee in the amount of: $ 67,066
  - [ ] If applicable, late fee in the amount of: $ ________
- [x] Certification by the provider's ***Chief Executive Officer*** that:
  - [x] The reports are correct to the best of his/her knowledge.
  - [x] Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - [x] The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- [x] Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- [x] Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- [x] Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- [x] Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for ***each*** community.
- [ ] Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.

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Northern California Presbyterian Homes & Services, Inc.

Continuing Care Contract Annual Report
For the Year Ended December 31, 2015

Part 1

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	328
[2]	Number at end of fiscal year	338
[3]	Total Lines 1 and 2	666
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	333
	All Residents	
[6]	Number at beginning of fiscal year	328
[7]	Number at end of fiscal year	338
[8]	Total Lines 6 and 7	666
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	333
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	1.00

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$28,083,361
[a]	Depreciation	$3,589,495	
[b]	Debt Service (Interest Only)	$1,002,360	
[2]	Subtotal (add Line 1a and 1b)		$4,591,855
[3]	Subtract Line 2 from Line 1 and enter result.		$23,491,506
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		100%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$23,491,506
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$23,492

PROVIDER: Northern California Presbyterian Homes & Services, Inc.
COMMUNIT Sequoias - San Francisco

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	299
[2]	Number at end of fiscal year	307
[3]	Total Lines 1 and 2	606
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	303
	All Residents	
[6]	Number at beginning of fiscal year	299
[7]	Number at end of fiscal year	307
[8]	Total Lines 6 and 7	606
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	303
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	1.00

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$26,567,097
[a]	Depreciation	$2,454,805	
[b]	Debt Service (Interest Only)	$640,636	
[2]	Subtotal (add Line 1a and 1b)		$3,095,441
[3]	Subtract Line 2 from Line 1 and enter result.		$23,471,656
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		100%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$23,471,656
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$23,472

PROVIDE[Northern California Presbyterian Homes & Services, Inc.
COMMUN Sequoias - Portola Valley

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	310
[2]	Number at end of fiscal year	299
[3]	Total Lines 1 and 2	609
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	304.5
	All Residents	
[6]	Number at beginning of fiscal year	310
[7]	Number at end of fiscal year	299
[8]	Total Lines 6 and 7	609
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	304.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	1.00

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$23,121,578
[a]	Depreciation	$2,294,081	
[b]	Debt Service (Interest Only)	$725,513	
[2]	Subtotal (add Line 1a and 1b)		$3,019,594
[3]	Subtract Line 2 from Line 1 and enter result.		$20,101,984
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		100%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$20,101,984
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$20,102

PROVIDER: Northern California Presbyterian Homes & Services, Inc.
COMMUNIT Tamalpais

Part 2

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CONTRACTS BRANCH

NORTHERN CALIFORNIA PRESBYTERIAN HOMES & SERVICES, INC.
CERTIFICATION BY CHIEF EXECUTIVE OFFICER

December 31, 2015

I hereby certify to the best of my knowledge and belief that:

1. The information included within this annual report is correct.

2. Each continuing care contract form now in use for new residents has been approved by the Department.

3. As of the date of this certification NCPHS is maintaining the required liquid reserve and refund reserve.

David Berg

President & CEO
Title

4/28/16
Date

Part 3

NORTHERN CALIFORNIA PRESBYTERIAN HOMES & SERVICES, INC.
EVIDENCE OF FIDELITY BOND

December 31, 2015

Type:	Employee Fidelity
Coverage:	$1,500,000
Carrier:	Federal Insurance Company

Part 4

Northern California Presbyterian Homes and Services, Inc.

Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

Northern California Presbyterian Homes and Services, Inc.
Index
December 31, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors of
Northern California Presbyterian Homes and Services, Inc.

We have audited the accompanying consolidated financial statements of Northern California Presbyterian Homes and Services, Inc. ("NCPHS") and related entities, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of revenues, expenses and other changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NCPHS and related entities at December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

April 29, 2016

PricewaterhouseCoopers LLP, Three Embarcadero Center, San Francisco, CA 94111-4004
T: (415) 498 5000, F: (415) 498 7100, www.pwc.com/us

Northern California Presbyterian Homes and Services, Inc.
Consolidated Balance Sheets
December 31, 2015 and 2014
(dollars in thousands)

	2015			2014
	NCPHS	SSNC	Consolidated	Consolidated
Assets				
Current assets				
Cash and cash equivalents	$ 4,121	$ 582	$ 4,703	$ 5,220
Marketable securities	71,320	21,187	92,507	74,932
Accounts, notes and interest receivable	2,915	39	2,954	3,197
Pledges receivable, net of allowance	-	7	7	7
Limited use assets	8,430	-	8,430	1,686
Prepaid expenses and other assets	920	-	920	1,050
Total current assets	87,706	21,815	109,521	86,092
Investments contractually limited for affordable housing communities	3,667	-	3,667	4,059
Investments held in trust	-	12,321	12,321	13,009
Trust contributions receivable	-	559	559	744
Pledges receivable, net of allowance, less current portion	-	309	309	379
Limited use assets, less current portion	4,040	-	4,040	-
Deferred charges and other assets	4,038	-	4,038	1,497
Facilities, net of accumulated depreciation	159,379	11,211	170,590	154,418
	171,124	24,400	195,524	174,106
Total assets	$ 258,830	$ 46,215	$ 305,045	$ 260,198
Liabilities and Net Assets				
Current liabilities				
Accounts payable	$ 5,509	$ 1,181	$ 6,690	$ 9,053
Payroll and related taxes payable	4,813	-	4,813	4,785
Line of credit - unsecured	-	-	-	2,000
Current portion of long term debt	1,706	-	1,706	3,597
Accrued interest payable	1,528	-	1,528	505
Refundable deposits	870	-	870	892
Entrance fees paid in advance	2,010	-	2,010	3,141
Total current liabilities	16,436	1,181	17,617	23,973
Long term debt, less current portion	104,703	10,000	114,703	76,070
Liability on refundable contracts	11,453	-	11,453	12,182
Liability for payments to trust beneficiaries	-	5,624	5,624	5,946
Pension liability	15,057	-	15,057	18,326
Unamortized entrance fees	116,698	-	116,698	108,116
Other long-term liabilities	5,163	723	5,886	7,687
	253,074	16,347	269,421	228,327
Total liabilities	269,510	17,528	287,038	252,300
Net assets				
Unrestricted net assets				
Controlling interest	(23,503)	5,302	(18,201)	(15,851)
Non-controlling interest	12,823	-	12,823	-
Total unrestricted net assets (deficit)	(10,680)	5,302	(5,378)	(15,851)
Temporarily restricted net assets	-	16,065	16,065	16,543
Permanently restricted net assets	-	7,320	7,320	7,206
Total net assets	(10,680)	28,687	18,007	7,898
Total liabilities and net assets	$ 258,830	$ 46,215	$ 305,045	$ 260,198

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

Northern California Presbyterian Homes and Services, Inc.
Consolidated Statements of Revenues, Expenses and Other Changes in Unrestricted Net Assets
Years Ended December 31, 2015 and 2014
(dollars in thousands)

	2015 NCPHS	2015 SSNC	2015 Consolidated	2014 Consolidated
Operating revenues and support				
Revenues				
Resident fees	$ 58,346	$ -	$ 58,346	$ 54,978
Amortization of entrance fees	15,622	-	15,622	14,550
Fees for services and other income	12,733	-	12,733	13,161
Investment income including realized gains			-	
and losses on investments	2,332	391	2,723	6,296
Gain on interest rate swap	85	-	85	422
	89,118	391	89,509	89,407
Support				
Contributions	-	255	255	564
Net assets released from restrictions	-	1,055	1,055	1,191
Total operating revenues and support	89,118	1,701	90,819	91,162
Expenses				
Program expenses				
Housing				
Program	19,867	-	19,867	18,313
Interest expense	3,629	-	3,629	2,533
Depreciation	9,727	-	9,727	9,103
Food service	13,581	-	13,581	13,564
Health care	21,815	-	21,815	19,605
Other program services	15,069	-	15,069	16,108
	83,688	-	83,688	79,226
Program support expense				
Administration	9,459	-	9,459	7,880
Depreciation	322	-	322	312
	9,781	-	9,781	8,192
Total expenses	93,469	-	93,469	87,418
Change in unrestricted net assets from operations	(4,351)	1,701	(2,650)	3,744
Other changes				
Unrealized gains (losses) on investments	(3,105)	(425)	(3,530)	(3,420)
Grants transferred for programs and facilities	1,974	(1,974)	-	-
Non periodic change in pension liability	3,008	-	3,008	(14,451)
Capital contributions to non-controlling interest	14,430	-	14,430	(43)
Other	(785)	-	(785)	(316)
Change in unrestricted net assets	11,171	(698)	10,473	(14,486)
Unrestricted net assets (deficit) at beginning of year	(21,851)	6,000	(15,851)	(1,365)
Unrestricted net assets (deficit) at end of year	$ (10,680)	$ 5,302	$ (5,378)	$ (15,851)

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

Northern California Presbyterian Homes and Services, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2015 and 2014
(dollars in thousands)

	2015			2014
	NCPHS	SSNC	Consolidated	Consolidated
Unrestricted net assets				
Change in unrestricted net assets from operations	$ (4,351)	$ 1,701	$ (2,650)	$ 3,744
Unrealized gains (losses) on investments	(3,105)	(425)	(3,530)	(3,420)
Grants transferred for programs and facilities	1,974	(1,974)	-	-
Non periodic changes in pension liability	3,008	-	3,008	(14,451)
Capital contributions to non-controlling interest	14,430	-	14,430	(43)
Other	(785)	-	(785)	(316)
Change in unrestricted net assets	11,171	(698)	10,473	(14,486)
Temporarily restricted net assets				
Contributions	-	1,258	1,258	1,833
Investment income	-	1,080	1,080	871
Change in value of split-interest agreements	-	(484)	(484)	345
Unrealized gains (losses) on investments, net	-	(1,277)	(1,277)	95
Net assets released from restrictions	-	(1,055)	(1,055)	(1,191)
Change in temporarily restricted net assets	-	(478)	(478)	1,953
Permanently restricted net assets				
Contributions	-	172	172	5
Change in value of split-interest agreements	-	(58)	(58)	16
Change in permanently restricted net assets	-	114	114	21
Change in net assets	11,171	(1,062)	10,109	(12,512)
Net assets (deficit) at beginning of year	(21,851)	29,749	7,898	20,410
Net assets (deficit) at end of year	$ (10,680)	$ 28,687	$ 18,007	$ 7,898

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

Northern California Presbyterian Homes and Services, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014
(dollars in thousands)

	2015			2014
	NCPHS	SSNC	Consolidated	Consolidated
Cash flows from operating activities				
Cash received from entrance fees	$ 23,704	$ -	$ 23,704	$ 20,965
Cash received from resident fees	57,815	-	57,815	54,404
Cash received from services and other income	13,568	-	13,568	13,201
Cash received from contributions	-	1,930	1,930	2,404
Cash paid for grants and support	1,975	(1,836)	139	(28)
Investment income	924	1,540	2,464	2,214
Interest paid	(2,488)	-	(2,488)	(2,397)
Cash paid to employees and suppliers	(79,726)	-	(79,726)	(76,863)
Settlement of ARO liabilities	(1,455)	-	(1,455)	(1,973)
Cash provided by operating activities	14,317	1,634	15,951	11,927
Cash flows from investing activities				
Proceeds from sale and maturities of investments	22,945	4,976	27,921	35,414
Purchase of investments	(52,855)	(6,976)	(59,831)	(32,853)
Purchase of property and equipment	(17,876)	(248)	(18,124)	(27,514)
Cash used in investing activities	(47,786)	(2,248)	(50,034)	(24,953)
Cash flows from financing activities				
Payment of long term debt	(77,439)	-	(77,439)	(3,449)
Payment of line of credit	(2,000)	-	(2,000)	(1,000)
Payment of interest rate swap	(1,002)	-	(1,002)	-
Proceeds from line of credit	-	-	-	2,000
Issuance of debt	100,835	-	100,835	16,523
Proceeds from endowment contributions	-	203	203	46
Proceeds from contributions held in trust	-	176	176	423
Payments to trust beneficiaries	-	(823)	(823)	(807)
Refunds of refundable deposits paid	(21)	-	(21)	66
Proceeds from refundable entrance fees	858	-	858	1,381
Proceeds from limited partner equity	14,430	-	14,430	-
Refunds of entrance fees paid	(2,392)	-	(2,392)	(976)
Investment income from marketable securities held in trust	-	741	741	594
Cash provided by financing activities	33,269	297	33,566	14,801
Net increase (decrease) in cash and cash equivalents	(200)	(317)	(517)	1,775
Beginning of year	4,321	899	5,220	3,445
End of year	$ 4,121	$ 582	$ 4,703	$ 5,220

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

Northern California Presbyterian Homes and Services, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014
(dollars in thousands)

	2015			2014
	NCPHS	SSNC	Consolidated	Consolidated
Reconciliation of change in net assets to cash from operating activities				
Change in net assets	$ 11,171	$ (1,062)	$ 10,109	$ (12,512)
Adjustments to reconcile change in net assets to cash provided by operating activities				
Amortization of entrance fees	(15,622)	-	(15,622)	(14,550)
Depreciation	10,049	-	10,049	9,415
Amortization of prepaid rent	4	-	4	4
Amortization of deferred financing costs	805	-	805	99
Gain on interest rate swap	(85)	-	(85)	(422)
Unrealized and realized loss (gain) on investments	1,697	1,770	3,467	(1,627)
Non periodic changes in pension liability	(269)	-	(269)	15,503
Contribution revenue from endowment gifts	-	(172)	(172)	(5)
Change in value of split interest agreements	-	901	901	(291)
Accretion of conditional asset retirement obligation	804	-	804	673
Settlement of ARO liabilities	(1,455)	-	(1,455)	(1,973)
Contribution of assets	-	-	-	(371)
Capital contributions to non-controlling interest	(14,430)	-	(14,430)	43
Change in operating assets and liabilities				
Changes in receivables, other assets, payables and other accruals	(2,056)	127	(1,929)	(3,232)
Change in pledges receivable	-	70	70	208
Entrance fees received	23,704	-	23,704	20,965
Cash provided by operating activities	$ 14,317	$ 1,634	$ 15,951	$ 11,927
Non cash transactions				
Fixed asset additions included in accounts payable	$ (2,840)	$ -	$ (2,840)	$ 1,378

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

1. Corporate Purpose and Structure

Corporate Purpose
Northern California Presbyterian Homes and Services, Inc. ("NCPHS"), based on its historic mission, provides for the well-being of older persons who are in need of housing, healthcare, food, wellness and other related programs and services through the following communities and programs:

- Three continuing care retirement communities which provide housing, health care, and other services to approximately 1,000 residents. Confidential financial support is also provided to residents who outlive their financial resources.
- Three residential housing communities which receive federal support, provide to approximately 600 residents with low and moderate income affordable housing, food and a wellness program for those who elect to be covered.
- A portfolio of Community Services programs that promote the health and wellbeing of low-income seniors who live independently and in senior communities.

Corporate Structure
NCPHS is a nonprofit corporation principally organized to provide facilities and other means of care for elderly persons. Board membership consists only of those elected as Directors and only during their period of service as such Directors. The Board of Directors governs the operations of NCPHS.

NCPHS presently operates continuing care facilities for the care of elderly persons at three locations: the Sequoias-San Francisco ("Sequoias-SF"), the Sequoias-Portola Valley ("Sequoias-PV") and the Tamalpais-Ross Valley Homes ("RVH"). It also operates residential housing facilities for elderly persons at four locations: Western Park Apartments ("WPA"), Eastern Park Apartments ("EPA"), Town Park Towers ("TPT"), and the Woods. All facilities are located in Northern California.

NCPHS owns and operates Sequoias-SF and Sequoias-PV. NCPHS is affiliated with RVH in Greenbrae, Marin County, California, and is the sole corporate member of RVH. For financial reporting purposes, RVH's balance sheet, operations and cash flows are consolidated with NCPHS.

NCPHS owns and operates EPA, which is a low-to-moderate income rental housing facility operated in accordance with the provisions of Section 202 of the National Housing Act. During 2015 and 2014, the facility received approximately 75% and 75% of its rental revenue from the U.S. Department of Housing and Urban Development ("HUD"), respectively.

Until October 17, 2013, NCPHS solely owned and operated WPA, also a low-to-moderate income rental housing facility operated in accordance with the provisions of Section 202 of the National Housing Act.

On October 17, 2013, NCPHS sold WPA's land, building and improvements to WPA L.P. for the purchase price of $27.2 million, including promissory notes of $25.6 million due to NCPHS with accrued interest. Since the parties involved in the purchase transaction are affiliates under common control of NCPHS, management recorded the transfer of assets at carrying value with no recognition of gains or losses. In addition, intercompany receivables, payables, and loans between these affiliates are eliminated upon consolidation.

Western Park Apartments, L.P. (WPA L.P.) was formed in 2013 as a limited partnership to acquire, rehabilitate, own, and operate WPA. WPA L.P. is controlled by its general partner, NCPHS WPA LLC. NCPHS is the sole member of NCPHS WPA LLC.

WPA underwent a significant rehabilitation in 2014. The construction was funded by a Citibank construction loan (see Note 9). WPA L.P. participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. It also continues to operate in accordance with the provisions of Section 202 of the National Housing Act. Various loans, regulatory and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2068. The limited partners will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of WPA L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partners were required to provide capital contributions of $15.7 million were used to repay a portion of the $28.8 million construction loan. After the compliance period, NCPHS will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised will cause WPA L.P. to cease. The purchase price will be the greater of the outstanding debt and taxes of WPA L.P. or the then fair market value of WPA.

On October 14, 2015, NCPHS sold TPT's land, building and improvements to TPT L.P. for the purchase price of $47.2 million, including a promissory note of $29.7 million due to NCPHS with accrued interest. Since the parties involved in the purchase transaction are affiliates under common control of NCPHS, management has recorded the transfer of assets at carrying value with no recognition of gains and losses. In addition, intercompany receivables, payables, and loans between these affiliates have been eliminated upon consolidation.

TPT is operational but undergoing a significant rehabilitation as of December 31, 2015. The construction is funded by a Citibank construction loan. TPT L.P. is expected to participate in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. It is also expected to continue to operate in accordance with the provisions of Sections 202 and 236 of the National Housing Act. Various loans, regulatory and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2070. The limited partner will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of TPT L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partner is required to provide capital contributions of $22 million that will be used to repay a portion of the $40 million construction loan. After the compliance period, NCPHS will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised will cause TPT L.P. to cease. The purchase price will be the greater of the outstanding debt and taxes of TPT L.P. or the then fair market value of TPT.

For financial reporting purposes, the balance sheets, statements of revenues, expenses, changes in net assets, and statements of cash flows of WPA L.P. and TPT L.P. are consolidated with NCPHS. The limited partner's interest in WPA L.P. and TPT L.P. is reported as non-controlling interest in the net assets section of the consolidated balance sheet.

NCPHS also owns the Woods, a manufactured home park for seniors located on 37 acres near Mendocino, California. The Woods has 109 home sites.

Senior Services for Northern California ("SSNC") was established in 1987 by the Board of Directors of NCPHS as a supporting organization of NCPHS and received its tax-exempt status as a charitable organization in 1989. Trustees of SSNC are charged with receiving, disbursing and accounting for all current gifts, deferred gift-investments and bequests of money and property given for the benefit of NCPHS, its programs, facilities, managed properties, and community outreach.

NCPHS is exempt from income and franchise taxes under Sections 501(c)(3) and 23701(d) of the respective federal and state revenue codes.

NCPHS formed a for profit company, NCP Senior Ventures, LLC, a California limited liability company ("NSV"), in 2008. NCPHS, as its sole member, signed an operating agreement with NSV on the same date. The purpose of NSV is to engage in the business of the acquisition, investment, development, ownership, management, operation and sale of real estate. For financial reporting purposes, NSV's balance sheet, statements of operations and cash flows are consolidated with NCPHS.

NSV began managing Kokoro Assisted Living, a 54-unit residential housing facility located in San Francisco, California, in 2009.

As of January 2011, NCPHS affiliated with San Francisco Senior Center (SFSC), a not-for-profit corporation that operates two senior centers in San Francisco and delivers services to help seniors stay engaged in the community.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include NCPHS and SSNC. All significant inter-entity amounts have been eliminated in consolidation. SSNC prepares separate stand-alone financial statements in conformity with accounting principles generally accepted in the United States of America. For purposes of presentation of SSNC's balance sheet, statements of revenues, expenses and other changes in unrestricted net assets and changes in net assets, and statement of cash flows in these consolidated financial statements, conforming reclassifications have been made to SSNC's revenue and expenses and inter-entity receivables and payables consistent with categories in the consolidated financial statements.

All operating, administrative and fund raising expenses including employees assigned to SSNC activities are incurred by NCPHS on behalf of SSNC. NCPHS estimates that the cost of the services provided to SSNC was approximately $947 and $887 in 2015 and 2014, respectively.

These consolidated financial statements reflect accounting principles prescribed for not-for-profit and healthcare organizations. Under these principles, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed restrictions are classified as unrestricted. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or otherwise limited by contractual arrangements with outside parties.

Temporarily Restricted Net Assets

Net assets that are subject to donor-imposed restrictions which can be fulfilled either by actions of SSNC or NCPHS pursuant to those restrictions and/or that expire by the passage of time. The majority of SSNC's temporarily restricted net assets consist of charitable remainder trusts and other life income funds.

Permanently Restricted Net Assets
Net assets that are subject to donor-imposed restrictions which require that they be maintained permanently by SSNC. Generally, the donors of these assets permit SSNC to use all or part of the income earned on related investments for general or specific purposes. Such assets consist primarily of SSNC's permanent endowment funds and its interest in permanently restricted marketable securities held in trust.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled, and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Fair Value of Financial Instruments
The Financial Accounting Standards Board ("FASB") Statement on fair value measurements establishes a framework for measuring fair value in conformity with generally accepted accounting principles and expands disclosures about fair value measurements. This authoritative guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, this authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- *Level 1* – Observable inputs such as quoted prices in active markets;
- *Level 2* – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- *Level 3* – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in this authoritative guidance. The three valuation techniques are as follows:

- *Market approach* – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- *Income approach* – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The carrying values reported on the balance sheet for current assets and liabilities approximate fair value. Investments, investments held in trust, trust contribution receivables, and interest rate swaps are carried at fair value. See Note 10 for fair value of NCPHS's financial assets and liabilities.

Cash and Cash Equivalents
Cash equivalents include money market funds purchased with a maturity, at purchase date, of three months or less, with the exception of cash and cash equivalents held as investments or whose use is limited or designated.

Marketable Securities and Investments Held in Trust

Equity and debt securities are carried at fair value with realized and unrealized gains and losses included in the statement of revenues, expenses and other changes in unrestricted net assets and the statement of changes in net assets. Realized gains or losses represent the difference between cost, on a first-in first-out basis, and the related market price at the sale date. A decline in the fair value of an investment in equity and debt securities that is other than temporary is accounted for as a realized loss, whereby the cost basis of the security is written down to fair value. Cash and cash equivalents, which consist of deposits and money market funds are carried at cost, which approximates fair value because of the short-term nature of these investments.

Facilities

Property and equipment are recorded at cost. Depreciation is computed on the straight-line method using the following composite annual rates:

Buildings	2 %
Building equipment	5 %
Equipment, furniture and furnishings	10 %
Building and land improvement	10 %
Motor vehicles	25 %
Office equipment	20 %
Computer equipment	20 %

Interest costs incurred on borrowed funds during the period of construction of qualifying capital assets are capitalized as a component of the cost of acquiring these assets. Repairs and maintenance expenditures are expensed as incurred.

Several of the buildings owned and operated by NCPHS contain asbestos for which NCPHS will incur additional expense to remove when those buildings are retired or when renovations are undertaken in an area of the buildings that contains such material. Certain of these costs are not expected to be incurred until the building itself is retired as the material is in areas that will not be impacted by renovation activity. The cost to remove materials in areas of the buildings that will be impacted by renovation activity is estimated to be incurred over the next 40 years.

Asset retirement obligations are estimated at fair value based upon discounted cash flows using the probability- weighted future cash flows for the associated retirement costs and a credit-adjusted risk free discount rate. Asset retirement obligations recorded are subject to various assumptions and determinations, such as determining whether an obligation exists to remove assets, estimating the fair value of the costs of removal and estimating when final removal will occur. Changes that may arise over time with regard to these assumptions and determinations will change such amounts recorded for asset retirement obligations. In 2011 NCPHS started removing materials in apartments as they became available for new residents. NCPHS will continue to do so as apartments become available in future years. Upon commencement of the rehabilitation, WPA L.P. removed materials from the facility. This change resulted in a revision to the asset retirement obligation estimate in 2011. Asset retirement obligations are included in other long-term liabilities (See Note 4).

(dollars in thousands)

Investments Held in Trust and Liability for Payments to Trust Beneficiaries
Investments held in trust represent charitable remainder trusts and other deferred funds in which the donor, or stated beneficiary, has a life interest in the trust income and for which SSNC is trustee and remainderman. Trust assets are carried at fair value remeasured on a recurring basis and the related liability for beneficiary payments is estimated each year on a nonrecurring basis. (See Note 10 for the basis of fair value).

Pledges Receivable
Pledges receivable are recorded at fair value and consist of unconditional promises to give that are expected to be collected in future years. Such receivables are recognized at fair value based on the present value of their estimated cash flows. The discounts on these amounts are computed using rates applicable in the years in which those promises are received. Pledges receivable are reviewed for collectability and reserves for uncollectible amounts are established when needed. Conditional promises to give are not included as support until the conditions are substantially met.

Trust Contributions Receivable
Trust contributions receivable consist of gifts made to SSNC through split-interest agreements in which SSNC is a remainderman or has a perpetual income interest as beneficiary and for which there is an external trustee. These assets are carried at fair value based upon the present value of amounts anticipated to be received, using discount rates commensurate with the expected term to receipt of the assets using a discount rate of 4.8% at December 31, 2015 and 5.4% at December 31, 2014.

Continuing Care Contracts
NCPHS has entered into continuing care contracts with the residents of its continuing care facilities. Under the provision of these contracts, residents are required to pay an entrance fee and periodic monthly fees (resident fees) for services and the use of facilities. The resident fees are subject to adjustment for changes in operating costs or other economic reasons. NCPHS is obligated to provide long-term care.

NCPHS provides two types of continuing care contracts to its residents, fully amortizable and 90% repayment. Under the fully amortizable contract, entrance fees are one-time payments made by residents of the continuing care facilities that, in addition to monthly care fees, provide for living accommodations and are recorded as deferred revenue when received and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Teknekron life table for single residents and an actuarially-prepared joint life expectancy table for married residents.

NCPHS is contractually obligated to refund to a resident the entrance fee received less an amount equal to 1.5% of the entrance fee for each month of residency. No refund is made after 5-1/2 years of occupancy. In the event of death or involuntary termination, NCPHS is obligated to refund a portion of the entrance fee determined as follows:

Fewer than 90 days	90%
More than 90, less than one year	75%
More than one year, less than two years	50%
More than two years, less than three years	25%
More than three years	0%

On December 31, 2015 and 2014, $84,963 and $61,817 in entrance fees, respectively, were potentially subject to refund.

Under the 90% repayment option, residents pay a higher entrance fee, 90% of which will be refunded when the unit is resold. The refundable portion of the entrance fee paid is recorded as a liability and the remaining 10% is recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Teknekron life table for single residents and an actuarially-prepared joint life expectancy table for married residents.

NCPHS annually evaluates the need to accrue a liability for losses related to the obligation to provide future services under continuing care contracts. A loss must be accrued if the estimated present value of the net cost of future services and use of facilities to be provided to current residents exceeds the amount of unamortized entrance fees. The obligation is equal to the present value of the estimated cash cost of providing care in excess of estimated periodic fees to be received from residents over the residents' life expectancies plus depreciation of the facilities used by residents. The obligation assumes that the annual increase in the cost of care will be 6.0% and 5.5% as of December 31, 2015 and 2014, respectively, and that the annual increase in monthly care fees will be 4.3% as of December 31, 2015 and 2014. For 2015 and 2014, interest rates of 4.50% and 4.25%, respectively, were used to discount the cost of providing lifetime care in excess of resident fees. Based on the above, the cost of providing lifetime care in excess of monthly resident fees was $86,072 and $60,628, on a discounted basis, and $94,948 and $62,175 on an undiscounted basis, at December 31, 2015 and 2014, respectively. Since the present value of the net cost of future services and use of facilities was less than the amount of unamortized entrance fees as of December 31, 2015 and 2014, this calculation did not result in an additional liability.

Fees for Services
Fees are charged for some services not covered by Continuing Care Contracts such as guest meals and parking. NCPHS also charges third parties for allowable expenses.

Contributions
Contributions, which may include unconditional promises to give (pledges), are recognized at fair value as revenues in the period received or unconditionally pledged. Contributions with donor-imposed restrictions, including those with restrictions that are met in the same year as received, are reported as temporarily restricted contribution revenues and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions. Donated securities, real property and contributions in kind are recorded at fair value at the date of contribution. Contributions are derived primarily from donors in Northern California.

Contributions of trust interests in which SSNC serves as the trustee are recognized at fair value in the period of receipt. Fair value is determined based upon the difference between the fair value of the assets received and the fair value of the estimated liability to beneficiaries. Contributions of trust interests in which the assets are invested and administered by outside trustees are recorded at fair value when notice of the interest is received.

Investment Income
Investment income includes interest and dividend income earned on investments, net realized gains and losses on sales of investments, other than temporary realized losses on investments and related investment counseling fees. Investment counseling fees were $180 and $180 for the years ended December 31, 2015 and 2014, respectively.

Limited Use Assets
Limited use assets include bond proceeds held for capital projects and debt service reserve funds held with a trustee in accordance with indenture requirements. The indenture terms require that the trustee control the expenditure of bond proceeds for capital projects.

Change in Value of Split-Interest Agreements
Changes in the value of split-interest agreements are the results of the following transactions and events related to SSNC's deferred gifts:

- Accretion of the discounts on previously received deferred gifts.
- Revaluations of expected future benefits to be received, net of income earned and market changes on deferred gift assets.
- Revaluations of expected future payments to beneficiaries, net of payments made, based on changes in life expectancy and other actuarial assumptions.

Performance Indicator
The performance indicator reported in the consolidated statement of revenues, expenses and other changes in unrestricted net assets is captioned "change in unrestricted net assets from operations." Changes in unrestricted net assets which are excluded from the performance indicator, include unrealized gains and losses from investments, transfers of assets from SSNC to support programs and facilities, non periodic changes in pension liability, and change in non-controlling interest.

Interest Rate Swap
NCPHS used an interest rate swap, also known as a risk management or derivative instrument, to effectively create a fixed rate of interest on a portion of its 2004 Tax-exempt Variable Rate Demand Revenue Bonds. NCPHS has elected not to apply hedge accounting related to the interest rate swap and accordingly changes in the fair market value of the interest rate swap are recorded as a separate line item in the statement of revenues, expenses and other changes in unrestricted net assets. On February 12, 2015, NCPHS paid $1,024 to fulfill the obligation and terminate the swap agreement.

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include unamortized entrance fees, estimated future service obligations, pension liability, pledges and contributions receivable and the liability for payments to trust beneficiaries. Actual results may differ from those estimates.

Risks and Uncertainties
NCPHS executed a letter of credit with a bank to support repayment of the 2004 Tax-exempt Variable Rate Demand Revenue Bonds (Note 9). The terms of the letter of credit allowed the bank to accelerate the repayment of the bonds in the event of any breach of material terms, covenants or agreements, any impairment of the collateral or proceeds or any material adverse change defined as an adverse event in excess of $5.0 million that the bank believed impaired or was substantially likely to impair repayment or performance by NCPHS. If NCPHS was required to accelerate the repayment of the bonds, NCPHS would be required to liquidate marketable securities, increase resident fees, reduce program expenses and/or to seek additional financing to raise sufficient cash to repay the bonds. Although management expects NCPHS would not be required to repay the bonds, no assurance can be given that the risk of demand for early repayment of the bonds will not result in material adverse effects on NCPHS's financial position, changes in net assets or net assets.

Recent Pronouncements
The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the sole source of authoritative non-governmental U.S. generally accepted accounting principles.

In May 2014, the FASB issued an update to the ASC to improve the consistency of revenue recognition practices across industries for economically similar transactions. The core principle is that an entity recognizes revenue for goods or services to customers in an amount that reflects the consideration it expects to receive in return. In August 2015, the FASB voted to defer the implementation of the new guidance. The new effective date is for annual periods beginning after December 15, 2017. NCPHS is currently evaluating the impact that this guidance will have on its consolidated financial statements.

In February 2015, the FASB issued an update to the ASC which focuses on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. The number of consolidation models has been reduced from four to two, and the new guidance places more emphasis on risk of loss when determining a controlling financial interest. This guidance is effective for annual and interim periods beginning after December 15, 2015. NCPHS is currently evaluating the impact that this guidance will have on its consolidated financial statements.

In April 2015, the FASB issued an update to the ASC which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, and amortization of those costs reported as interest expense. This guidance is effective for annual and interim periods of not-for-profit entities beginning after December 15, 2016, and early adoption is permitted. The new guidance should be applied on a retrospective basis for each period presented in the balance sheet. NCPHS determined it applicable to early adopt this guidance, and this is represented in its consolidated financial statements.

In May 2015, the FASB issued an update to the ASC which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient as well as limiting disclosure requirement to investments for which the entity has elected to measure the fair value using that practical expedient. The guidance is effective for fiscal years beginning after December 15, 2015. NCPHS determines that guidance will not have an impact on its consolidated financial statements.

In August 2014, the FASB issued an update to the ASC which requires management to assess an entity's ability to continue as a going concern at each annual and interim reporting period and requires additional disclosures in certain circumstances. The guidance is effective for fiscal years beginning after December 15, 2016. NCPHS is currently evaluating the impact that this guidance will have on its consolidated financial statements.

(dollars in thousands)

3. Marketable Securities

The composition of marketable securities is set forth in the following table. The majority of these securities are held with four investment firms:

	2015	2014
Cash equivalents	$ 16,592	$ 1,843
U.S. Government securities	1,099	1,154
Common stocks	22,880	22,828
Corporate fixed income securities	2,155	2,809
Equity mutual funds	20,073	17,567
Fixed income mutual funds	29,708	28,731
	$ 92,507	$ 74,932

Investment income is comprised of the following for the years ended December 31:

	2015	2014
Interest income	$ 1,016	$ 855
Net realized gains on sales of investments	3,255	6,171
Other than temporary impairment on investments	(1,548)	(730)
	$ 2,723	$ 6,296

(dollars in thousands)

4. Facilities

Facilities at December 31, 2015 and 2014 consist of the following:

	2015	2014
Continuing Care Facilities		
Sequoias - SF		
Land	$ 661	$ 661
Building and building equipment	85,945	84,018
Equipment and furniture	6,054	5,486
Less: Accumulated depreciation	(52,364)	(48,789)
	40,296	41,376
Sequoias - PV		
Land	303	303
Building and building equipment	72,838	71,178
Equipment and furniture	5,873	5,371
Less: Accumulated depreciation	(33,085)	(30,630)
	45,929	46,222
Tamalpais - RVH		
Land	850	850
Building and building equipment	52,283	49,561
Equipment and furniture	7,567	6,885
Less: Accumulated depreciation	(36,625)	(34,336)
	24,075	22,960
Continuing care facilities, net	110,300	110,558
Residential housing		
Eastern Park Apartments		
Land	451	451
Building and building equipment	11,101	11,090
Equipment and furniture	1,000	969
Less: Accumulated depreciation	(7,546)	(7,224)
	5,006	5,286
Town Park Towers		
Land	-	1,400
Building and building equipment	-	10,749
Equipment and furniture	-	1,354
Less: Accumulated depreciation	-	(8,218)
	-	5,285
Residential housing, net	5,006	10,571

(dollars in thousands)

	2015	2014
Other facilities		
The Woods		
Land	735	735
Building and building equipment	5,697	5,590
Equipment and furniture	475	427
Less: Accumulated depreciation	(3,235)	(3,034)
	3,672	3,718
Corporate Office		
Land	-	1,000
Building and building equipment	820	2,078
Equipment and furniture	9,165	7,214
Less: Accumulated depreciation	(5,867)	(5,984)
	4,118	4,308
SSNC		
Land	11,211	-
	11,211	-
SFSC		
Equipment and furniture	483	471
Less: Accumulated depreciation	(411)	(386)
	72	85
NSV		
Building and building equipment	2,330	465
	2,330	465
WPA L.P.		
Land	425	425
Building and building equipment	28,914	28,853
Equipment and furniture	410	401
Less: Accumulated depreciation	(5,493)	(4,966)
	24,256	24,713
TPT L.P.		
Land	1,400	-
Building and building equipment	15,381	-
Equipment and furniture	1,382	-
Less: Accumulated depreciation	(8,538)	-
	9,625	-
Other facilities, net	55,284	33,289
Total facilities, net	$ 170,590	$ 154,418

Total depreciation expense for the years ended December 31, 2015 and 2014, is $10,049 and $9,415, respectively.

Construction-in-progress of $12,871 and $9,946 are included in building and building equipment, and equipment and furniture above, as of December 31, 2015 and 2014, respectively. Depreciation on these amounts will commence at the time the related assets are placed into service.

(dollars in thousands)

Asset retirement obligations are included as part of other long-term liabilities and a summary of these obligations is as follows:

	2015	2014
Beginning balance	$ 5,814	$ 7,114
Accretion expense	804	673
Changes in estimated cash flows	(832)	(673)
Liabilities settled in the current period	(623)	(1,300)
Ending balance	$ 5,163	$ 5,814

5. Investments Held in Trust

Investments held in trust are summarized below. The majority of these investments are held with one investment firm:

	2015	2014
Cash equivalents	$ 440	$ 259
Fixed income mutual funds	4,321	4,400
Equity mutual funds	7,511	8,276
Corporate and government bonds	49	74
	$ 12,321	$ 13,009

6. Pledges Receivable

Pledges receivable were due as follows as of December 31:

	2015	2014
Current portion	$ 7	$ 7
Less: Allowance	-	-
Total current portion	$ 7	$ 7
Greater than one year to five years	$ 255	$ 335
Greater than five years to twenty years	125	125
	380	460
Less: Allowance	(19)	(23)
Less: Unamortized discount at 1.63% to 6.75%	(52)	(58)
Total noncurrent portion	$ 309	$ 379

Pledges receivable include promises to give end-of-life gifts from donors with life expectancies ranging between zero and 8 years.

(dollars in thousands)

7. Investments Contractually Limited for Replacement, Development Deposit, and Net Operating Income Reserve

Investments Contractually Limited for Replacement

In connection with long-term debt agreements for NCPHS's residential housing facilities, HUD requires a monthly deposit to a replacement account. Replacement accounts are held by NCPHS for EPA.

The investments for replacement are spent on improvements or repairs of structural elements and mechanical equipment of the facilities. Disbursements from the replacement accounts may be made upon receiving consent in writing from HUD.

Development Deposit

WPA L.P. was required to establish a deposit account for an initial amount of $3,000. No additional deposits are required. The funds were fully withdrawn in 2015 to repay a portion of the Citibank construction loan.

Net Operating Income Reserve

Commencing on November 1, 2013 and continuing on the first day of each month thereafter until the earlier of the conversion date or the date upon which the balance in the reserve reaches $161, WPA L.P. was required to deposit no less than $11 each month into the reserve. The reserve was held by Citibank until the conversion date. At conversion, Citibank applied amounts held in the reserve to principal, interest, and any other amounts due under the terms of the loan agreement. At the conversion date on June 12, 2015, the net operating income reserve was fully withdrawn to pay down the construction loan.

Earnings attributable to these investments accrue to the facility. As of December 31, 2015 and 2014, the investments consisted of the following:

	2015	2014
Cash and certificates of deposits	$ 2,742	$ 3,126
United States Treasury securities	925	933
	$ 3,667	$ 4,059

(dollars in thousands)

8. Limited Use Assets

Limited use assets at December 31 are held with one institution and are to be used as follows:

	2015	2014
California Health Facilities Financing Authority		
Revenue Bond Series 1998		
Principal and interest fund	$ -	$ 886
Revenue Bond Series 2004		
Principal and interest fund	-	800
Revenue Bond Series 2015		
Principal and interest fund	12,470	-
	12,470	1,686
Less: Current portion	(8,430)	(1,686)
	$ 4,040	$ -

The composition of limited use assets at December 31, 2015 and 2014 consisted solely of cash and cash equivalents.

9. Long-Term Debt and Line of Credit

Long-term debt comprises the following at December 31:

	2015	2014
Continuing care facilities		
California Health Facilities Financing Authority Revenue Bond Series 2004 Tax-exempt Variable Rate Demand Revenue Bonds ("2004 Revenue Bonds"). Payable through 2030, collateralized by Union Bank Letter of Credit; interest fixed at 3.25%	$ -	$ 33,900
California Health Facilities Financing Authority Revenue Bond Series 1998, Term Bonds due 2018, interest at 5.1% totaling $3,545; and term bonds due 2028, interest at 5.4% totaling $12,865, principal and interest paid semi-annually, collateralized by a pledge of gross revenues of NCPHS's operations.	-	16,410
California Health Facilities Financing Authority Revenue Bond Series 2015, Serial Bonds Payable through 2031, interest at 2.0%-5.0% totaling $24,665; term bonds due 2034, interest at 3.5%-5.0% totaling $6,895; term bonds due 2039, interest at 5.0% totaling $13,840; term bonds due 2044, interest at 4.0% totaling $4,000; term bonds due 2044, interest at 5.0% totaling $13,585.	62,985	-
Unamortized premium	7,342	-
Continuing care facilities	70,327	50,310

(dollars in thousands)

	2015	2014
Residential housing		
Eastern Park Apartments HUD payable though 2020 in monthly installments of $51 including net interest at 6.9%, collateralized by a first deed of trust on EPA real estate.	2,227	2,674
Heritage Bank (Housing Trust of Silicon Valley) - Town Park Towers predevelopment loan - $2,000 principal and accumulated interest at 4.75% due 2017, collateralized by a first deed of trust on TPT real estate.	-	1,230
Western Park Apartments L.P. Citibank permanent loan, in monthly installments of $86 payable through 2045 including interest at 5.81%, collateralized by a first deed of trust on WPA L.P. real estate	15,391	25,453
Town Park Towers L.P. Citibank construction loan, interest at LIBOR plus 1.75% through conversion thereafter in monthly installments of $108 payable through 2052 including interest at 4.41%, collateralized by a first deed of trust on TPT L.P. real estate	18,464	-
Resdiential housing	36,082	29,357
Other facilities		
SSNC Union Bank loan, interest at LIBOR plus 1.80% with principal due 2017, secured by marketable securities	10,000	-
Other facilities	10,000	-
Total debt	116,409	79,667
Less: Current portion	1,706	3,597
Total long-term debt	$ 114,703	$ 76,070

Scheduled principal payments on long-term debt are as follows:

2016	$ 1,706
2017	11,794
2018	1,894
2019	2,003
2020	1,553
Thereafter	90,118
	$ 109,068

On April 15, 2015, the California Health Facilities Financing Authority issued tax exempt revenue bonds with a par value of $63,210 on behalf of NCPHS. The bonds were sold at a premium of $7,635 resulting in total proceeds of $70,840 with an estimated total interest cost of 4.18%.

Proceeds from this bond issue were used to retire NCPHS's 1998 and 2004 Revenue Bonds, pay issuance costs, fund a debt service reserve and establish a project fund of $13,500 for major capital improvements at NCPHS facilities. $6,278 remains in the project fund as of December 31, 2015.

The bonds are insured by the State of California, through its Cal Mortgage Loan Program. The agreement with Cal Mortgage includes a number of covenants including the following:

- Maintenance of corporate existence
- Maintenance of records and filing of financial statements
- Payment of taxes
- Maintenance of exempt status
- Debt service coverage ratio of at least 1.25

As of December 31, 2015, NCPHS was in compliance with all debt covenants.

NCPHS's debt incurred in connection with its residential housing facilities includes covenants which require that these facilities be operated to provide housing for seniors whose income levels do not exceed certain thresholds. Rent increases are subject to approval and are limited to maintain affordability.

The most restrictive covenants of these loans are associated with compliance with the low income housing tax credit program under section 42 of the Internal Revenue Code as modified by the State of California and the provisions of section 202 of the National Housing Act. As of December 31, 2015, NCPHS was in compliance with these debt covenants.

On June 12, 2015, the construction loan with Citibank used to construct improvements at Western Park Apartments was converted to a permanent loan. The outstanding balance on the construction loan was paid down to $15,425 at the time of permanent conversion. Funding for the pay down of the construction loan was provided by a capital contribution from a limited partner investor.

On October 15, 2015, Citibank funded a loan on behalf of the City of San Jose (tax exempt bond issuer and governmental lender) in the amount of $45,250. TPT L.P. entered into an agreement with Citibank to borrow up to the $45,250 to acquire Town Park Towers and fund renovations. Funds are released periodically as renovations proceed and paid invoices are submitted to Citibank for reimbursement. As of December 31, 2015, TPT L.P. has borrowed $18,464 against the loan agreement. Renovations are expected to be completed in 2017. Interest on the construction loan is based on a variable rate on 30 day LIBOR plus 1.75%.

Interest Rate Swap

NCPHS had an interest rate swap agreement with a financial institution that involved the exchange of fixed interest rate payments at the rate of 3.2% on an amount equal to $16,950 as of December 31, 2014 in exchange for floating interest rate payments that equaled 65% of USD-LIBOR-BBA. On February 12, 2015, NCPHS paid $1,024 to fulfill the obligation and terminated the agreement.

(dollars in thousands)

The fair value of the interest rate swap is the estimated amount that NCPHS would currently pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparty. As of December 31, 2015 and 2014, the estimated change in fair value of the interest rate swap for each year, the gain (loss) on the interest rate swap, and the estimated fair value of the interest rate swap liability are as follows:

Balances related to interest rate swap	Location in financial statements	2015	2014
Change in fair value of interest rate swap	Gain on interest rate swap in the Statement of Revenues, Expenses and Other Changes in Unrestricted Net Assets	$ 85	$ 422
Net payments with counterparty	Interest expense in the Statement of Revenues, Expenses and Other Changes in Unrestricted Net Assets	-	538
Fair value of interest rate swap	Other long-term liabilities in the Balance Sheet	-	1,087

Line of Credit

NCPHS has lines of credit in the amount of $6,000 in 2015 and 2014 with a bank, of which $4,000 is collateralized by a gross revenue pledge and $2,000 is unsecured. The lines of credit renew annually each July. At December 31, 2015 and December 31, 2014, NCPHS had an outstanding balance of $0 and $2,000, respectively.

NCPHS has stand-by letters of credit totaling approximately $3,047 and $2,709 to collateralize its obligations under a high deductible workers compensation program as of December 31, 2015 and 2014, respectively, from the same bank that issued the lines of credit described above. No amounts were outstanding as of December 31, 2015 and 2014. The stand-by letters of credit restrict the availability of the lines of credit in that the total amount available at any one time from the letters of credit and lines of credit cannot exceed $6,000.

NCPHS is required to provide written notification to the bank of any material adverse change in its financial condition or operation. There were no such changes in 2015 and 2014.

(dollars in thousands)

10. Fair Value of Financial Instruments

The fair values of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2015 and 2014:

	2015			
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Un-observable Inputs (Level 3)
Assets Measured at Fair Value on a Recurring Basis (1)				
Marketable Securities (2)				
Unrestricted	$ 92,507	$ 92,507		
Investments Contractually Limited for Replacement	3,667	3,667		
Investments held in trust	12,321	12,321		
Trust Contributions Receivable (3)	559			559
	$ 109,054	$ 108,495	$ -	$ 559
Liabilities Measured at Fair Value on a Recurring Basis	$ -	$ -	$ -	$ -

	2014			
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Un-observable Inputs (Level 3)
Assets Measured at Fair Value on a Recurring Basis (1)				
Marketable Securities (2)				
Unrestricted	$ 74,932	$ 74,932		
Investments Contractually Limited for Replacement	4,059	4,059		
Investments held in trust	13,009	13,009		
Trust Contributions Receivable (3)	744	-		744
	$ 92,744	$ 92,000	$ -	$ 744
Liabilities Measured at Fair Value on a Recurring Basis				
Interest rate swap (4)	$ 1,087	$ -	$ 1,087	$ -

(1) For cash and cash equivalents, the net carrying value approximates fair value at period end. NCPHS's debts are not recorded at fair value on the Consolidated Balance Sheet and are excluded from the fair value table above.

(2) The fair values of marketable securities which are included in the consolidated balance sheet are determined based on quoted market prices in active markets. The marketable securities consist of cash equivalents, U.S. government securities, common stocks, corporate fixed income securities, equity mutual funds, and fixed mutual funds as detailed in Note 3.

(3) The fair value of trust contributions receivable which is included in the consolidated balance sheet is determined using a present value calculation of expected future cash flows with assumptions for the risk-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.

(4) The fair value of the interest rate swap is determined using mid-market interest rates and/or securities prices based on readily observable market parameters for all substantial terms of the derivative contract and, therefore, is classified as Level 2. The balances related to the interest rate swap and the location of where they are recorded in the financial statements are included in Note 9.

(dollars in thousands)

There were no transfers of assets or liabilities between Level 1 and Level 2 during the years ended December 31, 2015 and 2014.

The change in the fair value of trust contributions receivable is reflected in the change in value of split-interest agreements for temporarily and permanently restricted net assets in the consolidated statements of changes in net assets. As of December 31, 2015, the valuation technique utilizes published actuarial life expectancies ranging from 2.38 to 13.19 years, and discount rates ranging from 4.8% to 5.4%. As of December 31, 2014, the valuation technique utilizes published actuarial life expectancies ranging from 2.53 to 13.76 years, and discount rates ranging from 5.0% to 5.4%.

The change in value of the trust contributions receivable valued using significant unobservable inputs (Level 3) is shown below:

Fair value at December 31, 2014	$	744
New contributions		-
Maturities		(30)
Total net unrealized gains included in changes in net assets		15
Total net realized losses included in changes in net assets		(170)
Fair value at December 31, 2015	$	559
Total gains (losses) for the year included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2015	$	(219)
Fair value at January 1, 2014	$	539
New contributions		185
Maturities		(4)
Total net unrealized gains included in changes in net assets		409
Total net realized losses included in changes in net assets		(385)
Fair value at December 31, 2014	$	744
Total gains (losses) for the year included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2014	$	(74)

(dollars in thousands)

NCPHS, on a nonrecurring basis, is required to measure unconditional promises to give (pledges), the liability for payments to trust beneficiaries, and liabilities associated with asset retirement obligations. The above fair value instruments, which are classified as Level 3, were not remeasured during the year. Pledges are estimated at fair value during the period received based on the present value of expected future cash flows using the discount rate adjustment technique. As of December 31, 2015, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 7.2 years, and discount rates ranging from 1.6% to 6.8%. As of December 31, 2014, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 7.7 years, and discount rates ranging from 0.6% to 7.0%. Liabilities for payments to trust beneficiaries are estimated at fair value at the time the related trust assets are received based on the present value of estimated future payments over the expected life of income beneficiaries using the discount rate adjustment technique. The valuation technique utilizes published actuarial life expectancies ranging from 2.2 to 19.5 years, and discount rates ranging from 0.6% to 6.8% as of December 31, 2015. The valuation technique utilizes published actuarial life expectancies ranging from 2.3 to 15.1 years, and discount rates ranging from 0.6% to 6.8% as of December 31, 2014. Liabilities associated with asset retirement obligations are estimated at fair value based on discount rates ranging from 4.9% to 6.3%, and inflation rates of 3.0% and 3.5%.

Fair Value of Debt Instruments
For the 2004 Revenue Bonds, the carrying value approximates fair value as the interest rates are adjusted on a weekly basis and fluctuate with changes in market rates. The fair value of NCPHS's fixed rate debt at December 31, 2014 based on quoted market prices not actively traded (Level 2) was $16,459.

The fair value of the 2015 Revenue Bonds, which are serial bonds payable through 2031 and term bonds due through 2044, at December 31, 2015 based on quoted market prices not actively traded (Level 2) was $70,519.

The fair value of the EPA debt is $2,425 and $2,944 at December 31, 2015 and 2014, respectively. It matures in 2020. The fair value is based on a conventional discounted cash flow methodology and utilizes assumptions of current borrowing rates. The fair value of the WPA L.P. debt is $20,342 at December 31, 2015. It matures in 2045. The fair value is based on a conventional discounted cash flow methodology and utilizes assumptions of current borrowing rates. For all other debt, including the outstanding lines of credit, the carrying value approximates fair value.

11. Pension Plan

NCPHS sponsors a non-contributory defined benefit pension plan covering employees who work 1,000 hours or more. The benefits are generally based on an employee's average salary in the last five years of employment and years of service. NCPHS funds the pension plan in accordance with the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). Contributions to the Plan are determined under the projected unit credit cost method and are made each year in an amount at least equal to the minimum requirements of ERISA.

Plan assets less than the projected benefit obligations were as follows:

	2015	2014
Projected benefit obligation at December 31	$ (72,038)	$ (75,502)
Fair value of plan assets at December 31	56,981	57,176
Funded status	$ (15,057)	$ (18,326)

(dollars in thousands)

Amounts recognized in the consolidated balance sheet at December 31 consist of:

	2015	2014
Pension liability	$ 15,057	$ 18,326
Noncurrent liability	$ 15,057	$ 18,326

The accumulated benefit obligation is $66,395 and $68,908 as of December 31, 2015 and 2014, respectively.

The assumptions used in determining the actuarial present value of the projected benefit obligation were as follows:

	2015	2014
Weighted-average assumptions used to determine benefit obligations		
Discount rate	4.50%	4.00%
Rate of compensation increase	3.00%	3.00%
Weighted-average assumptions used to determine net periodic benefit cost for years ended		
Discount rate	4.00%	5.00%
Expected long-term return on plan assets	7.25%	7.25%
Rate of compensation increase	3.00%	3.00%

Net periodic pension cost for 2015 and 2014 was determined by an independent actuary and is calculated using a prescribed attribution method, based on acceptable actuarial assumptions, which are adjusted periodically to reflect actual experience. NCPHS uses a December 31 measurement date for the above defined benefit plan. Pension cost is summarized as follows:

	2015	2014
Benefits cost	$ 2,742	$ 1,052
Employer contributions	3,000	2,400
Benefits paid	2,088	1,828

Components of net periodic benefit cost at December 31 were as follows:

	2015	2014
Service cost	$ 2,615	$ 2,022
Interest cost	2,950	2,923
Expected return on plan assets	(4,159)	(3,943)
Amortization of prior service cost	-	3
Amortization of net loss	1,336	47
Net periodic benefit cost	$ 2,742	$ 1,052

(dollars in thousands)

The amounts included in unrestricted net assets, that have not yet been recognized as components of net periodic benefit cost as of December 31 were as follows:

	2015	2014
Net actuarial loss	$ 17,808	$ 20,815
Prior service cost	-	-
	$ 17,808	$ 20,815

The net actuarial losses and prior service costs recognized as other changes in unrestricted net assets and representing amounts not previously recognized in net periodic benefit costs for the year ended December 31, are as follows:

	2015	2014
Net actuarial (gains) losses	$ (1,672)	$ 14,501
Amortization of actuarial gains (losses)	(1,336)	(47)
Amortization of prior service costs	-	(3)
	$ (3,008)	$ 14,451

The net actuarial losses and prior service costs expected to be recognized as other changes in unrestricted net assets during the fiscal year ended December 31, 2016 are as follows:

Net actuarial losses	$ 1,105
Prior service costs	-
	$ 1,105

Projected benefits payments for the plan are as follows:

2016	$ 2,847
2017	3,182
2018	3,345
2019	3,519
2020	3,690
2021-2025	20,890

NCPHS expects to contribute $2,600 to its pension plan in 2016.

(dollars in thousands)

Plan assets are invested with an appointed custodian. The contract with the custodian allows for investments in equity, money market, mutual fund and real estate investments under the direction of NCPHS. Plan assets are invested with the objective of achieving a long-term rate of return of 7.25%. This is achieved through investment in a mix of equity and fixed income investments, with targeted allocations of 70% equity instruments and 30% fixed income instruments. Over time, equity investments are expected to return 8.25%, while fixed income investments are expected to return 5.0%. This produces an expected composite long term return on investment of 7.25%. Plan assets as of December 31, 2015 and 2014 were invested as follows:

	2015	2014
Cash and cash equivalents	$ 2,182	$ 1,414
Common stocks	22,169	24,782
Equity mutual funds	16,650	16,522
Fixed income mutual funds	15,980	14,458
	$ 56,981	$ 57,176

Equity mutual funds held in the plan assets invest in common stocks of companies based either inside or outside the United States, including some small-capitalization companies. The primary objective is to provide growth of capital. Fixed income mutual funds held in the plan assets primarily invest in a diversified portfolio of high-quality bonds and other fixed income securities of varying maturities.

For 2015 and 2014, plan assets are stated at fair value using level 1 inputs within the fair value hierarchy. Cash equivalents and mutual funds are valued at quoted market prices on an exchange and active markets. Common stocks are valued at the last sale price on the last business day of the plan year, as quoted on a recognized exchange or an industry standard pricing service.

NCPHS also sponsors a defined contribution tax-sheltered annuity plan for substantially all of its full-time employees. The Tax Sheltered Annuity Plan was amended effective January 1, 2012, consistent with guidance under Treasury Regulation Section 1.403(b)-10 to delete Section 7.01(b) of the plan, which provided that a complete discontinuance of contributions under the plan would constitute termination of the plan. Consistent with IRS guidance, the plan is considered a frozen plan, and all provisions remain in effect until NCPHS determines to take further action, except that new contributions will not be made to the plan. Effective as of the first payroll date on or after January 1, 2012, consistent with amendments to the plan, contributions to the plan were discontinued and contributions began being made to a new 403(b) plan. The new 403(b) plan permits contributions which can be matched at the discretion of NCPHS.

Effective July 1, 2012, NCPHS changed the formula used to calculate Defined Benefit Pension Plan benefits in order to allow for more stable expenses while maintaining a competitive retirement benefits program for its employees. NCPHS also started contributing 2.5% of compensation to eligible employees each pay period, as part of its new 403(b) plan.

(dollars in thousands)

12. Endowments

NCPHS's endowment consists of seven donor-restricted funds established for a variety of purposes. The purpose restrictions consist of financial assistance to continuing care retirement community residents, meal subsidies, improvements to the quality of life of Sequoias-PV residents, and maintenance of the resident garden at Sequoias-PV. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law
The Board of Trustees of SSNC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, NCPHS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The organization appropriates all investment income on the endowment funds for expenditure through temporarily restricted net assets.

The net asset composition for donor restricted endowment funds by type of fund as of December 31 is as follows:

Donor-restricted endowment funds	**2015**	**2014**
Temporarily restricted	$ 3,362	$ 3,509
Permanently restricted	5,963	5,768
	$ 9,325	$ 9,277

Changes in endowment net assets for the fiscal year ended December 31 are as follows:

	Temporarily Restricted	**Permanently Restricted**	**Total**
Endowment net assets, December 31, 2014	$ 3,509	$ 5,768	$ 9,277
Investment return:			
Investment income (loss)	369	-	369
Net depreciation (realized and unrealized)	(513)	-	(513)
Total investment return	(144)	-	(144)
Contributions	-	195	195
Appropriation of endowment assets for expenditure	(3)	-	(3)
Endowment net assets, December 31, 2015	$ 3,362	$ 5,963	$ 9,325

(dollars in thousands)

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2014	$ 2,536	$ 5,747	$ 8,283
Investment return:			
Investment income (loss)	311	-	311
Net appreciation (realized and unrealized)	214	-	214
Total investment return	525	-	525
Contributions	-	21	21
Appropriation of endowment assets for expenditure	(6)	-	(6)
Other	454	-	454
Endowment net assets, December 31, 2014	$ 3,509	$ 5,768	$ 9,277

The amounts contributed to NCPHS's endowment funds have been retained permanently by explicit donor stipulation and the fair values of the original gifts have been preserved in accordance with UPMIFA. NCPHS does not hold term endowment funds or perpetual endowment funds subject to time restrictions.

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires NCPHS to retain as a fund of perpetual duration. The organization had no deficiencies of this nature in its endowment funds, as of December 31, 2015 and 2014.

Return Objectives and Risk Parameters
NCPHS has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the original gift value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the Consumer Price Index by 3.25% annually, on average, while assuming a moderate level of investment risk. NCPHS expects its endowment funds, over time, to provide an average rate of return of at least 6.25% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, NCPHS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The organization targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
NCPHS has a policy of appropriating the endowment fund's investment income for expenditure as the income is earned. In establishing this policy, the organization considered the long-term expected return on its endowment. This is consistent with the organization's objective to maintain the original gift value of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns.

(dollars in thousands)

13. Non-Controlling Interest

The change in non-controlling interest in WPA L.P. and TPT L.P. is shown below:

	WPA L.P.	TPT L.P.	Total
Non-controlling interest, January 1, 2014	$ 43	$ -	$ 43
Capital contributions	-	-	-
Net income (loss)	(1,177)	-	(1,177)
Unattributed net loss carryforward to next year	1,134	-	1,134
Attributed net loss	(43)	-	(43)
Prior year unattributed net loss	-	-	-
Non-controlling interest, December 31, 2014	$ -	$ -	$ -

	WPA L.P.	TPT L.P.	Total
Non-controlling interest, December 31, 2014	$ -	$ -	$ -
Capital contributions	13,038	1,392	14,430
Net income (loss)	(435)	(38)	(473)
Unattributed net loss carryforward to next year	-	-	-
Attributed net loss	(435)	(38)	(473)
Prior year unattributed net loss	(1,134)	-	(1,134)
Non-controlling interest, December 31, 2015	$ 11,469	$ 1,354	$ 12,823

14. Commitments and Contingencies

NCPHS is involved in certain routine matters of litigation related to their operations. Management does not expect any material impact on the financial position or changes in net assets from any such matters; however, due to the inherent uncertainties in litigation, it is possible that amounts ultimately paid, if any, may exceed management's expectations.

As of December 31, 2015, NCPHS had a number of capital projects ongoing. NCPHS has entered into various contracts in relation to these capital projects. The total commitment as of December 31, 2015 is $17,396.

NCPHS is a recipient of federal awards. These awards are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantors, if any, cannot be determined at this time, although NCPHS expects such amounts, if any, to be immaterial.

The healthcare 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 the matters such as licensure, accreditation, government healthcare program participation requirements, and Medicare fraud and abuse.

15. Subsequent Events

In January 2015, the Corporation executed an agreement for an affiliation (the "Affiliation") with JTM, a California nonprofit public benefit corporation ("JTM"), and Episcopal Senior Communities ("ESC"), a California nonprofit public benefit corporation headquartered in Walnut Creek, California, of which JTM is the sole member. The affiliation did not close in 2015 as planned and it is now on hold pending the resolution of a legal dispute between ESC and the Episcopal Diocese.

NCPHS has conducted an evaluation of subsequent events through April 29, 2016, the date the financial statements were available to be issued. No other subsequent events were noted.

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Independent Auditor's Report on Supplementary Information
Community Services

To the Board of Directors of
Northern California Presbyterian Homes and Services, Inc.

We have audited the consolidated financial statements of Northern California Presbyterian Homes and Services, Inc. and related entities as of December 31, 2015 and for the year then ended and our report thereon appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The community service information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

PricewaterhouseCoopers LLP

April 29, 2016

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Northern California Presbyterian Homes and Services, Inc.
Community Service Information (Unaudited)
December 31, 2015 and 2014
(dollars in thousands)

The following reflects the expenditures made by Northern California Presbyterian Homes and Services, Inc. ("NCPHS") net of amounts funded by grants and other donation support for the years ended December 31, 2015 and 2014:

	Program Expense	User Fees & Government Grants	Unsponsored Cost	Donation Support	Net Community Benefit 2015
Residential Financial Support	$ 347	$ -	$ 347	$ (347)	$ -
Living at Home Program	838	(857)	(19)	(1)	(20)
Services Connection Program	771	(764)	7	-	7
Experience Corp Marin	172	(65)	107	(1)	106
San Francisco Senior Center	1,980	(1,493)	487	(372)	115
	$ 4,108	$ (3,179)	$ 929	$ (721)	$ 208

	Program Expense	User Fees & Government Grants	Unsponsored Cost	Donation Support	Net Community Benefit 2014
Residential Financial Support	$ 443	$ -	$ 443	$ (443)	$ -
Meals Program	20	(7)	13	(2)	11
Living at Home Program	815	(706)	109	(72)	37
ROSS Grant	603	(449)	154	(60)	94
Coming of Age					
RSVP	299	(197)	102	(27)	75
Life Long Learning	10	(33)	(23)	(1)	(24)
Experience Corp Marin	223	(97)	126	(20)	106
Training for Disabled	9	-	9	-	9
Well Elder	20	-	20	-	20
San Francisco Senior Center	2,464	(1,977)	487	(72)	415
	$ 4,906	$ (3,466)	$ 1,440	$ (697)	$ 743

The following is a summary of NCPHS's Community Services:

- A meals program, which serves meals in senior housing settings.
- A Living at Home Program, which includes the Services Connection Program, whose social workers assist over 2,000 persons annually in primarily low-income settings in San Francisco and Santa Clara counties.
- Corporate sponsorship of Coming of Age - Bay Area, which is supported with a RSVP grant. Coming of Age helps people ages 50 and over make rewarding transitions to the next phase of life by providing pathways to explore passions, plan for future, become community leaders, pursue lifelong learning and engage in meaningful service. Coming of Age offers Learning Labs, workshops for nonprofits that seek to enhance their capacity to capture the energy and expertise of volunteers ages 50 and over.
- Experience Corp Marin, which taps the skills of over 50 older adults to provide academic support to about 800 students in five San Rafael elementary schools.
- AARP (formerly American Association of Retired Persons) Experience Corps Marin, which taps the skills of 100 older adults to provide academic support to about 1000 students in 6 Marin County elementary schools.
- In collaboration with the ARC (formerly Aid to Retarded Citizens) of San Francisco, NCPHS provides work and training opportunities for developmentally disabled persons in San Francisco.

- Well Elder, a project to provide health and social services in a cost-effective and humane manner for seniors, which assists 600 persons in three of the residential housing communities through direct service and education/health screening programs.
- San Francisco Senior Center includes a seven day a week meal site, a transitional care program, a senior activities program, a fitness and wellness program, computer tutoring and fine arts classes.

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Independent Auditor's Report
on Supplementary Information

To the Board of Directors
Northern California Presbyterian Homes and Services, Inc.

We have audited the consolidated financial statements of Northern California Presbyterian Homes and Services, Inc. as of December 31, 2015 and 2014 and for the years then ended and our report thereon appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary financial information on pages 39 through 41 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

April 29, 2016

PricewaterhouseCoopers LLP, Three Embarcadero Center, San Francisco, CA 94111-4004
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Northern California Presbyterian Homes and Services, Inc.
Details of Operations
Sequoias – San Francisco
For the year ended December 31, 2015
(dollars in thousands)

	2015	2014
Operating revenues and support		
Resident fees	$ 17,453	$ 16,416
Amortization of entrance fees	5,976	5,491
Fees for services and other income	3,164	3,367
Investment income including realized gains and losses on investments	0	0
Total operating revenues and support	26,593	25,274
Expenses		
Program expenses		
Housing		
Program	5,647	5,305
Interest expense	1,002	825
Depreciation	3,590	3,497
Food service	4,999	4,805
Health care	7,615	7,196
Other program services	3,090	2,978
	25,943	24,606
Program support expense		
Administration	2,140	1,730
Total expenses	28,083	26,336
Change in unrestricted net assets from operations	(1,490)	(1,062)
Other Changes		
Grants used for programs and facilities	189	194
Change in unrestricted net assets	$ (1,301)	$ (868)

Northern California Presbyterian Homes and Services, Inc.
Details of Operations
Sequoias – Portola Valley
For the year ended December 31, 2015
(dollars in thousands)

	2015	2014
Operating revenues and support		
Resident fees	$ 14,403	$ 14,867
Amortization of entrance fees	4,557	4,612
Fees for services and other income	4,265	4,229
Investment income including realized gains and losses on investments	0	0
Total operating revenues and support	24,225	23,708
Expenses		
Program expenses		
Housing		
Program	5,991	5,151
Interest expense	641	584
Depreciation	2,455	2,429
Food service	4,433	4,462
Health care	7,690	6,342
Other program services	3,277	3,306
	24,487	22,274
Program support expense		
Administration	2,080	1,681
Total expenses	26,567	23,955
Change in unrestricted net assets from operations	(2,342)	(247)
Other Changes		
Grants used for programs and facilities	97	96
Change in unrestricted net assets	$ (2,245)	$ (151)

Northern California Presbyterian Homes and Services, Inc.
Details of Operations
Sequoias - Tamalpais
For the year ended December 31, 2015
(dollars in thousands)

	2015	2014
Operating revenues and support		
Resident fees	$ 15,593	$ 15,260
Amortization of entrance fees	5,090	4,447
Fees for services and other income	2,246	1,940
Investment income including realized gains and losses on investments	0	0
Total operating revenues and support	22,929	21,647
Expenses		
Program expenses		
Housing		
Program	4,639	4,908
Interest expense	725	483
Depreciation	2,294	2,123
Food service	4,137	4,116
Health care	6,468	5,632
Other program services	2,779	2,757
	21,042	20,019
Program support expense		
Administration	2,079	1,680
Total expenses	23,121	21,699
Change in unrestricted net assets from operations	(192)	(52)
Other Changes		
Grants used for programs and facilities	196	277
Change in unrestricted net assets	$ 4	$ 225

Part 5

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RECEIVED
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CONTINUING CARE
CONTRACTS BRANCH

Independent Auditor's Report

To the Board of Directors
Northern California Presbyterian Homes and Services, Inc.

Report on the Continuing Care Reserve Report

We have audited the accompanying Continuing Care Reserve Report Part 5 ("Reports") of Northern California Presbyterian Homes and Services, Inc. ("NCPHS") as of December 31, 2015 and the related note.

Management's Responsibility on the Continuing Care Reserve Report

Management is responsible for the preparation and fair presentation of the Reports in accordance with California Health and Safety Code Section 1792, as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Reports that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

PricewaterhouseCoopers LLP, Three Embarcadero Center, San Francisco, CA 94111-4004
T: (415) 498 5000, F: (415) 498 7100, www.pwc.com/us

Opinion

In our opinion, the Reports referred to above present fairly, in all material respects, the liquid reserve requirements of NCPHS as of December 31, 2015, in conformity with the report preparation provisions of the California Health and Safety Code section 1792 as described in Note 1.

Basis of Accounting

We draw attention to Note 1 to the Reports, which describes the basis of accounting. The Reports were prepared by NCPHS on the basis of the financial reporting provisions of the California Health and Safety Code section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the California Health and Safety Code section 1792, as described in Note 1. Our opinion is not modified with respect to this matter.

Restriction on Use

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

PricewaterhouseCoopers LLP

April 29, 2016

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	03/01/80	$446,394	$169,944	$0	$616,338
2	07/29/98	$16,410,000	$339,850	$0	$16,749,850
3	09/14/04	$33,900,000	$141,589	$115,826	$34,157,415
4	Line of Credit	$0	$26,542	$0	$26,542
5	10/17/13	$12,746,767	$311,020	$0	$13,057,787
6	Refinancing*	-$63,056,767	$0	$0	-$63,056,767
7					$0
8					$0
		TOTAL:	$988,945	$115,826	$1,551,165

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

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

*On April 15, 2015, NCPHS issued $63 million of Series 2015 Revenue Bonds to refinance $50 million remaining on its CHFFA Revenue Bonds Series 1998 and Series 2004 and fund $13 million of capital improvements to two of its CCRCs.

PROVIDER: Northern California Presbyterian Homes & Services, Inc.

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1	04/15/15	$624,694	$225,000	1	$225,000
2	06/12/15	$240,704	$11,530	12	$138,360
3	10/15/15	$77,465	$0	0	$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:	$942,863	$236,530	13	$363,360

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

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

PROVIDER: Northern California Presbyterian Homes & Services, Inc.

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$1,551,165
2	Total from Form 5-2 bottom of Column (e)	$363,360
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	$0
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$1,914,525

PROVIDER: Northern California Presbyterian Homes & Services, Inc.

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$28,083,361
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$1,002,360	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)		
	c.	Depreciation	$3,589,495	
	d.	Amortization		
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract		
	f.	Extraordinary expenses approved by the Department		
3		Total Deductions		$4,591,855
4		Net Operating Expenses		$23,491,506
5		Divide Line 4 by 365 and enter the result.		$64,360
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$4,827,022

PROVIDER: Northern California Presbyterian Homes & Services, Inc.
COMMUNITY: Sequoias - San Francisco

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$26,567,097
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$640,636	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)		
	c.	Depreciation	$2,454,805	
	d.	Amortization		
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract		
	f.	Extraordinary expenses approved by the Department		
3		Total Deductions		$3,095,441
4		Net Operating Expenses		$23,471,656
5		Divide Line 4 by 365 and enter the result.		$64,306
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$4,822,943

PROVIDER: Northern California Presbyterian Homes & Services, Inc.
COMMUNITY: Sequoias - Portola Valley

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$23,121,578
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$725,513	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)		
	c.	Depreciation	$2,294,081	
	d.	Amortization		
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract		
	f.	Extraordinary expenses approved by the Department		
3		Total Deductions		$3,019,594
4		Net Operating Expenses		$20,101,984
5		Divide Line 4 by 365 and enter the result.		$55,074
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$4,130,545

PROVIDER: Northern California Presbyterian Homes & Services, Inc.
COMMUNITY: Tamalpais

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Northern California Presbyterian Homes & Services, Inc.
Fiscal Year Ended: 12/31/2015

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2015 and are in compliance with those requirements.

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

		Amount
[1]	Debt Service Reserve Amount	$1,914,525
[2]	Operating Expense Reserve Amount	$13,780,510
[3]	**Total Liquid Reserve Amount:**	$15,695,035

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

	Qualifying Asset Description		Amount Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents		$7,927,997		$7,927,997
[5]	Investment Securities		$11,453,742		$11,453,742
[6]	Equity Securities		$16,276,375		$16,276,375
[7]	Unused/Available Lines of Credit				
[8]	Unused/Available Letters of Credit				
[9]	Debt Service Reserve				(not applicable)
[10]	Other: (describe qualifying asset)				
	Listed for Reserve Obligation:	[11]	$35,658,113	[12]	$35,658,113
	Reserve Obligation Amount:	[13]	$1,914,525	[14]	$13,780,510
	Surplus/(Deficiency):	[15]	$33,743,588	[16]	$21,877,603

Signature:

(Authorized Representative)

Date: 4/29/2016

VP of Finance
(Title)

Northern California Presbyterian Homes and Services, Inc.

Form 5-5

Additional Disclosures

Status Description and Amount of Reserves:

NCPHS's reserves consist of cash and cash equivalents of $4,120,926 and marketable securities of $71,319,708 totaling $75,440,634. NCPHS targets an allocation of approximately 50% for equity investments for its marketable securities.

Per capita costs

The per capita cash cost of care excluding interest and depreciation expense for NCPHS's facilities for 2015 was as follows:

Sequoias San Francisco	$70,545
Sequoias Portola Valley	$77,464
Tamalpais	$66,016

Funds accumulated for specific projects and/or contingencies

NCPHS had accumulated cash and marketable securities totaling $75,440,634 as of December 31, 2015. While $67,295,751 of these funds have not been designated for specific needs or projects, they are generally available to respond to contingencies; provide funding for projects which are internally financed and support NCPHS's efforts to grow and serve more seniors consistent with its tax exempt purpose.

In 2015, NCPHS's cash flow from operations including entrance fees was sufficient to cover its activities so accumulated cash and marketable securities were not required to fund projects. Projects in excess of $250,000 completed in 2015 were as follows:

Sequoias San Francisco

Apartment renovations	$ 1,329,00

Sequoias Portola Valley

Apartment renovations	$ 449,300
Roof replacement main bldg & Hanson Hall	$ 268,208

Tamalpais

Chiller replacement	$ 1,275,222
Exterior Wall Waterproofing	$ 582,778

Projects included in the 2016 capital budget which are greater than $250,000 include the following:

Sequoias San Francisco

Staff served buffet line	$ 1,559,270
New commercial laundry	$ 1,394,041
Apartment renovations	$ 1,000,000
Replace air cooled chiller	$ 349,776
Rotunda design	$ 270,705

Sequoias Portola Valley

Master plan construction	$ 2,000,000
Apartment renovations	$ 518,000
Health center kitchen remodel	$ 500,000
Lower parking lots	$ 275,000

Tamalpais

Electrical system upgrade	$ 5,000,000
AL, MC renovation expansion	$ 1,000,000
IL exterior painting	$ 513,299
Dining room renovation	$ 500,000

NCPHS completed a financing in 2015 to refinance outstanding debt and provide funding for the SSF electrical, Tam chiller and Tam electrical projects.

Northern California Presbyterian Homes and Services, Inc.
Note 1 to the Continuing Care Reserve Report (Part 5)
For the year ended December 31, 2015

The continuing care reserve report included in Part 5, has been prepared in accordance with the report preparation provisions of the California Health and Welfare Code (the Code), Section 1792.

Section 1792 of the Code indicates that the Organization should maintain at all times qualifying assets as a liquid reserve in an amount that equals or exceeds the sum of the following:

- The amount the provider is required to hold as a debt service reserve under Section 1792.3
- The amount the provider must hold as an operating expense reserve under Section 1792.4.

In accordance with the Code, the Organization has computed its liquid reserve requirement as of December 31, 2015, the Organization's most recent fiscal year end, and the reserve is based on audited financial statements for the period.

Part 6

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4/29/2016

FACILITY NAME: The Sequoias - San Francisco

ADDRESS: 1400 Geary Boulevard, San Francisco, California **ZIP CODE:** 94109 **PHONE:** 415-922-9700

PROVIDER NAME: NCPHS, Inc. **FACILITY OPERATOR:** NCPHS, Inc.

RELATED FACILITIES: Six related facilities **RELIGIOUS AFFILIATION:** None

YEAR OPENED: 1969 **# OF ACRES:** 5 ☐ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ____ **MILES TO SHOPPING CTR:** <1 **MILES TO HOSPITAL:** 1

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS — STUDIO:	63	ASSISTED LIVING:	18
APARTMENTS — 1 BDRM:	139	SKILLED NURSING:	50
APARTMENTS — 2 BDRM:	68	SPECIAL CARE:	19
COTTAGES/HOUSES:	0	DESCRIPTION:	Memory Care
RLU OCCUPANCY (%) AT YEAR END:	93.7%		

TYPE OF OWNERSHIP: ☑ NOT-FOR-PROFIT ☐ FOR-PROFIT **ACCREDITED?:** ☑ YES ☐ NO **BY:** CARF

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

REFUND PROVISIONS: *(Check all that apply)* ☑ 90% ☐ 75% ☐ 50% ☑ FULLY AMORTIZED ☐ OTHER: ____

RANGE OF ENTRANCE FEES: $119,400 - $1,241,100 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: All except Rx, dental, glasses, podiatry, psychiatry, and specified others

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

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): Resident council presidents are invited to attend and participate without vote

FACILITY SERVICES AND AMENITIES

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

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

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

PROVIDER NAME: NCPHS, Inc.

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
The Sequoias - San Francisco	San Francisco, California	415-922-9700
The Sequoias - Portola Valley	Portola Valley, California	650-851-1501
The Tamalpais	Greenbrae, California	415-461-2300

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)
The Woods	Little River, California	707-937-0294

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)
Western Park Apartments	San Francisco, California	415-922-5436
Eastern Park Apartments	San Francisco, California	415-776-0114
Town Park Towers	San Jose, California	408-288-8750

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

PROVIDER NAME: NCPHS, Inc.

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS OPERATING INCOME (Excluding amortization of entrance fee income)	$65,484	$71,927	$74,518	$73,496
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	71,408	75,872	75,470	79,791
NET INCOME FROM OPERATIONS	(5,924)	(3,945)	(952)	(6,295)
LESS INTEREST EXPENSE	2,293	2,296	2,533	3,629
PLUS CONTRIBUTIONS	2,094	4,132	1,799	1,974
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	3,685	16,852	(18,142)	13,548
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$(2,438)	$14,743	$(19,828)	$5,598
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$23,067	$16,675	$21,370	$22,170

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CHFFA	$70,326,532	2.00-5.00%	2015	2044	30 years
Citibank	$15,390,574	5.31%	2015	2045	30 years
Citibank	$18,464,545	Variable	2017	2052	35 years

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2013	2014	2015
DEBT TO ASSET RATIO		30.89%	34.09%	42.53%
OPERATING RATIO		107.77%	104.17%	110.36%
DEBT SERVICE COVERAGE RATIO		2.59	3.85	3.04
DAYS CASH ON HAND RATIO		278	261	425

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2012	%	2013	%	2014	%	2015
STUDIO	$3,537	3.8%	$3,670	3.7%	$3,805	4.0%	$3,956
ONE BEDROOM	$3,980	3.7%	$4,129	3.7%	$4,281	3.9%	$4,450
TWO BEDROOM	$6,682	3.8%	$6,935	3.9%	$7,206	4.0%	$7,492
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

>

>

PROVIDER NAME: NCPHS, Inc.

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)				
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)				
NET INCOME FROM OPERATIONS				
LESS INTEREST EXPENSE				
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION				
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)				

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
HUD	$2,227,588	6.90%	1980	2020	40 years

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2013	2014	2015
DEBT TO ASSET RATIO				
OPERATING RATIO				
DEBT SERVICE COVERAGE RATIO				
DAYS CASH ON HAND RATIO				

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2012	%	2013	%	2014	%	2015
STUDIO							
ONE BEDROOM							
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

>

>

PROVIDER NAME: NCPHS, Inc.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4/29/2016

FACILITY NAME: The Sequoias - Portola Valley

ADDRESS: 501 Portola Road, Portola Valley, California ZIP CODE: 94028 PHONE: 650-851-1501

PROVIDER NAME: NCPHS, Inc. FACILITY OPERATOR: NCPHS, Inc.

RELATED FACILITIES: Six related facilities RELIGIOUS AFFILIATION: None

YEAR OPENED: 1961 # OF ACRES: 42 ☑ SINGLE STORY ☐ MULTI-STORY ☐ OTHER: ____ MILES TO SHOPPING CTR: 4 MILES TO HOSPITAL: 6.2

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:	23	ASSISTED LIVING:	26
APARTMENTS – 1 BDRM:	116	SKILLED NURSING:	43
APARTMENTS – 2 BDRM:	66	SPECIAL CARE:	18
COTTAGES/HOUSES:	2	DESCRIPTION:	> Memory Care
RLU OCCUPANCY (%) AT YEAR END:	98.1%		>

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

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

REFUND PROVISIONS: *(Check all that apply)* ☑ 90% ☐ 75% ☐ 50% ☑ FULLY AMORTIZED ☐ OTHER: ____

RANGE OF ENTRANCE FEES: $81,800 - $1,440,300 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: All except Rx, dental, glasses, podiatry, psychiatry, and specified others

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

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Resident council presidents are invited to attend and > participate without vote

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	☐	☑	HOUSEKEEPING (4 TIMES/MONTH)	☑	☑
BILLIARD ROOM	☑	☐	MEALS (1-3 /DAY)	☑	☐
BOWLING GREEN	☑	☐	SPECIAL DIETS AVAILABLE	☑	☑
CARD ROOMS	☑	☐			
CHAPEL	☐	☐	24-HOUR EMERGENCY RESPONSE	☑	☐
COFFEE SHOP	☐	☑	ACTIVITIES PROGRAM	☑	☑
CRAFT ROOMS	☑	☐	ALL UTILITIES EXCEPT PHONE	☑	☐
EXERCISE ROOM	☑	☐	APARTMENT MAINTENANCE	☑	☑
GOLF COURSE ACCESS	☐	☐	CABLE TV	☑	☑
LIBRARY	☑	☐	LINENS FURNISHED	☑	☑
PUTTING GREEN	☑	☐	LINENS LAUNDERED	☑	☐
SHUFFLEBOARD	☑	☐	MEDICATION MANAGEMENT	☑	☑
SPA	☑	☐	NURSING/WELLNESS CLINIC	☑	☑
SWIMMING POOL-INDOOR	☑	☐	PERSONAL HOME CARE	☑	☐
SWIMMING POOL-OUTDOOR	☐	☐	TRANSPORTATION-PERSONAL	☐	☑
TENNIS COURT	☐	☐	TRANSPORTATION-PREARRANGED	☑	☑
WORKSHOP	☑	☐	OTHER Medical Supplies	☑	☑
OTHER Resident Garden	☑	☐			

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

PROVIDER NAME: NCPHS, Inc.

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
The Sequoias - San Francisco	San Francisco, California	415-922-9700
The Sequoias - Portola Valley	Portola Valley, California	650-851-1501
The Tamalpais	Greenbrae, California	415-461-2300

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)
The Woods	Little River, California	707-937-0294

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)
Western Park Apartments	San Francisco, California	415-922-5436
Eastern Park Apartments	San Francisco, California	415-776-0114
Town Park Towers	San Jose, California	408-288-8750

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

PROVIDER NAME: NCPHS, Inc.

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$65,484	$71,927	$74,518	$73,496
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	71,408	75,872	75,470	79,791
NET INCOME FROM OPERATIONS	(5,924)	(3,945)	(952)	(6,295)
LESS INTEREST EXPENSE	2,293	2,296	2,533	3,629
PLUS CONTRIBUTIONS	2,094	4,132	1,799	1,974
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	3,685	16,852	(18,142)	13,548
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$(2,438)	$14,743	$(19,828)	$5,598
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$23,067	$16,675	$21,370	$22,170

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CHFFA	$70,326,532	2.00-5.00%	2015	2044	30 years
Citibank	$15,390,574	5.81%	2015	2045	30 years
Citibank	$18,464,545	Variable	2017	2052	35 years

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2013	2014	2015
DEBT TO ASSET RATIO		30.89%	34.09%	42.53%
OPERATING RATIO		107.77%	104.17%	110.36%
DEBT SERVICE COVERAGE RATIO		2.59	3.85	3.04
DAYS CASH ON HAND RATIO		278	261	425

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2012	%	2013	%	2014	%	2015
STUDIO	$3,405	3.0%	$3,506	0.7%	$3,530	2.7%	$3,626
ONE BEDROOM	$4,150	3.1%	$4,277	1.3%	$4,331	2.8%	$4,451
TWO BEDROOM	$7,332	3.1%	$7,559	1.1%	$7,639	2.8%	$7,853
COTTAGE/HOUSE	$9,361	3.1%	$9,650	1.7%	$9,810	2.8%	$10,084
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: >

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PROVIDER NAME: NCPHS, Inc.

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)				
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)				
NET INCOME FROM OPERATIONS				
LESS INTEREST EXPENSE				
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION				
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)				

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
HUD	$2,227,588	6.90%	1980	2020	40 years

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2013	2014	2015
DEBT TO ASSET RATIO				
OPERATING RATIO				
DEBT SERVICE COVERAGE RATIO				
DAYS CASH ON HAND RATIO				

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2012	%	2013	%	2014	%	2015
STUDIO							
ONE BEDROOM							
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

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PROVIDER NAME: NCPHS, Inc.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

Date Prepared: 4/29/2016

Continuing Care Retirement Community
Disclosure Statement
General Information

FACILITY NAME: The Tamalpais

ADDRESS: 501 Via Casitas, Greenbrae, California **ZIP CODE:** 94904 **PHONE:** 415-461-2300

PROVIDER NAME: NCPHS, Inc. **FACILITY OPERATOR:** NCPHS, Inc.

RELATED FACILITIES: Six related facilities **RELIGIOUS AFFILIATION:** None

YEAR OPENED: 1969 **# OF ACRES:** 6 ☐ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ____ **MILES TO SHOPPING CTR:** <1 **MILES TO HOSPITAL:** <1

* * *

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS — STUDIO:	48	ASSISTED LIVING:	23
APARTMENTS — 1 BDRM:	153	SKILLED NURSING:	49
APARTMENTS — 2 BDRM:	31	SPECIAL CARE:	0
COTTAGES/HOUSES:	0	DESCRIPTION: >	N/A
RLU OCCUPANCY (%) AT YEAR END:	94.4%	>	

* * *

TYPE OF OWNERSHIP: ☑ NOT-FOR-PROFIT ☐ FOR-PROFIT **ACCREDITED?:** ☑ YES ☐ NO **BY:** CARF/CCAC

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

REFUND PROVISIONS: *(Check all that apply)* ☑ 90% ☐ 75% ☐ 50% ☑ FULLY AMORTIZED ☐ OTHER: ____

RANGE OF ENTRANCE FEES: $77,900 - $858,100 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: All except Rx, dental, glasses, podiatry, psychiatry, and specified others

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

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Resident council presidents are invited to attend and > participate without vote

* * *

FACILITY SERVICES AND AMENITIES

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

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

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Eastern Park Apartments	San Francisco, California	415-776-0114
Town Park Towers	San Jose, California	408-288-8750

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

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NET INCOME FROM OPERATIONS	(5,924)	(3,945)	(952)	(6,295)
LESS INTEREST EXPENSE	2,293	2,296	2,533	3,629
PLUS CONTRIBUTIONS	2,094	4,132	1,799	1,974
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	3,685	16,852	(18,142)	13,548
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OPERATING RATIO		107.77%	104.17%	110.36%
DEBT SERVICE COVERAGE RATIO		2.59	3.85	3.04
DAYS CASH ON HAND RATIO		278	261	425

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2012	%	2013	%	2014	%	2015
STUDIO	$3,219	3.6%	$3,334	3.7%	$3,456	4.0%	$3,593
ONE BEDROOM	$4,128	3.6%	$4,277	3.9%	$4,444	4.0%	$4,621
TWO BEDROOM	$7,142	3.6%	$7,398	3.7%	$7,674	3.9%	$7,977
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: >

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>

PROVIDER NAME: NCPHS, Inc.

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)				
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)				
NET INCOME FROM OPERATIONS				
LESS INTEREST EXPENSE				
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION				
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)				

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
HUD	$2,227,588	6.90%	1980	2020	40 years

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2013	2014	2015
DEBT TO ASSET RATIO				
OPERATING RATIO				
DEBT SERVICE COVERAGE RATIO				
DAYS CASH ON HAND RATIO				

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2012	%	2013	%	2014	%	2015
STUDIO							
ONE BEDROOM							
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

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\>

PROVIDER NAME: NCPHS, Inc.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	$3,465-10,090	$3,465-10,090	$3,465-10,090
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.00%	4.00%	4.00%

☐ 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: April 1, 2015
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

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

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

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee 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: Northern California Presbyterian Homes & Services, Inc.
COMMUNITY: Sequoias – San Francisco

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

Explanation: Sequoias – San Francisco

Monthly care fee increases averaging 4.00% were implemented on April 1, 2015.

This increase in monthly care fees was necessary to cover a projected increase of 3.60% in operating expenses over the 2014 budget. This increase was driven by health care costs and pension increases.

The Sequoias – San Francisco developed the budget with a goal to meet or exceed the performance expectations outlined in the financial performance improvement plan submitted to the Board in June 2015. The primary drivers for improvement are expense control and revenue from resident fees.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	$3,626-10,084	$3,626-10,084	$3,626-10,084
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	2.80%	2.80%	2.80%

☐ 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: April 1, 2015
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

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

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

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee 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: Northern California Presbyterian Homes & Services, Inc.
COMMUNITY: Sequoias – Portola Valley

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

Explanation: Sequoias – Portola Valley

Monthly care fees were increased an average of 2.80% effective April 1, 2015.

The monthly care fee increase was needed to cover a projected increase of 3.29% in operating expenses over the 2014 budget. This increase was driven by maintenance costs, employment and legal fees, and food cost increases.

The Sequoias – Portola Valley developed the budget with a goal to meet or exceed the performance expectations outlined in the financial performance improvement plan submitted to the Board in June 2015. The primary drivers for improvement are expense control and revenue from resident fees.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	$3,593-9,703	$3,593-9,703	$3,593-9,703
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.00%	4.00%	4.00%

☐ 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: April 1, 2015
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

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

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

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee 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: Northern California Presbyterian Homes & Services, Inc.
COMMUNITY: Tamalpais

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

Explanation: Tamalpais

Monthly care fees for Tamalpais were increased an average of 4.00% effective April 1, 2015.

The monthly care fee increase was needed to cover a projected increase of 3.29% in operating expenses over the 2014 budget. This increase was driven by increased occupational therapy and food cost increases. Increased health care and pension costs also contributed in the budget increase.

The Tamalpais developed the budget with a goal to meet or exceed the performance expectations outlined in the financial performance improvement plan submitted to the Board in June 2015. The primary drivers for improvement are expense control and revenue from resident fees.

Part 8

KEY INDICATORS REPORT

Date Prepared: 4/29/2016

Chief Executive Officer Signature

RECEIVED
MAY 05 2016
CONTINUING CARE CONTRACTS BRANCH

Northern California Presbyterian Homes & Services

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

	2011	2012	2013	2014	2015	Projected 2016	Forecast 2017	2018	2019	2020	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	See next page										N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	-9.06%	-13.66%	-13.38%	-10.02%	-9.64%	0.67%	0.90%	1.16%	1.65%	1.72%	↑
3. Net Operating Margin - Adjusted (%)	14.59%	15.56%	9.43%	14.89%	16.15%	21.69%	21.91%	22.17%	22.21%	22.24%	↑
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	$47,337	$53,706	$58,888	$57,819	$98,102	$94,863	$101,679	$115,039	$129,765	$146,385	↑
5. Days Cash on Hand (Unrestricted)	247	264	278	261	425	431	444	488	536	588	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000)	$106,471	$112,568	$115,674	$120,298	$128,151	$133,280	$138,537	$143,933	$148,985	$154,102	N/A
7. Net Annual E/F proceeds ($000)	$17,178	$21,948	$16,675	$20,965	$22,344	$20,705	$21,448	$22,221	$22,532	$23,208	N/A
8. Unrestricted Net Assets ($000)	-$25,563	-$21,296	-$1,473	-$16,344	-$5,380	-$162	$4,740	$10,299	$17,920	$27,284	N/A
9. Annual Capital Asset Expenditure ($000)	$11,679	$11,548	$19,031	$27,225	-$15,008	-$40,667	-$21,227	-$10,845	-$11,178	-$11,522	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	-0.45	-0.75	-0.29	0.28	-0.04	0.90	0.08	0.80	0.95	1.13	↑
11. Annual Debt Service Coverage (x)	2.97	3.81	2.58	3.85	3.04	4.59	4.01	4.02	4.22	4.72	↑
12. Annual Debt Service/Revenue (%)	6.77%	6.36%	5.94%	5.63%	5.71%	5.45%	61.14%	6.58%	6.33%	5.73%	↓
13. Average Annual Effective Interest Rate (%)	3.80%	3.77%	3.44%	4.08%	3.97%	2.87%	4.42%	4.60%	4.62%	4.61%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	80.43%	97.14%	94.41%	76.01%	85.42%	75.70%	100.06%	116.19%	134.74%	155.84%	↑
15. Average Age of Facility (years)	14.26	14.45	14.70	15.25	14.29	12.35	11.42	11.45	12.04	12.59	↓

KEY INDICATORS REPORT

Date Prepared: 4/29/2016

Northern California Presbyterian Homes & Services

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

						Projected	Forecast				Preferred Trend Indicator
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)											**N/A**
Seqouias - San Francisco	86%	87%	88%	86%	94%	95%	95%	95%	95%	95%	
Sequoias - Portola Valley	89%	88%	90%	88%	98%	96%	96%	96%	96%	96%	
Tamalpais	92%	91%	91%	92%	94%	96%	96%	96%	96%	96%	

NORTHERN CALIFORNIA PRESBYTERIAN HOMES & SERVICES, INC.

Key Indicators Report - Management Discussion
December 31, 2015

Margin profitability indicators

The net operating margin ratio improved slightly in 2015 over 2014. Increases in resident fees at the affordable housing communities helped NCPHS in 2015. Resident fees were increased in 2015 and occupancy and overall census improved over 2014 contributing to the increase. NCPHS has initiated a two year plan to improve its financial performance by increasing the proportion of operating expenses covered by operating revenue. The margin profitability indicators are projected to improve through 2020 as a result of this plan.

Liquidity indicators

On April 15, 2015, NCPHS issued $63.2 million of Series 2015 Revenue Bonds to refinance $50.3 million remaining on its California Health Facilities Financing Authority (CHFFA) Revenue Bonds Series 1998 and Series 2004 and raise $12.9 million to fund capital improvements at two of its CCRCs. This improved the liquidity indicators in 2015. Proceeds from resident fees and entrance fee resale also improved the ratios.

Capital structure indicators

NCPHS's capital structure ratios were down from the previous year for the most part due to the issuance of Series 2015 Revenue Bonds. A construction loan was taken out to rehabilitate one of NCPHS' affordable housing facilities, which also resulted in increased debt relative to assets. The refinancing lowered the overall interest cost of debt. The capital raised in the debt financing improved the liquidity indicators by providing the funds for capital improvement.

With the SSF electrical and Tam chiller projects completed and placed in service in 2015, the average age of facilities improved and it is expected to continue to decrease as more renovation projects are expected to be completed and placed in service over the next several years. A portion of these capital expenditures were incurred prior to the financing and NCPHS was able to reimburse its cash reserves improving liquidity. NCPHS also completed the syndication of one of its affordable housing communities, Town Park Towers, in 2015. NCPHS received approximately $16.0 million for the sale of the property to the limited partnership. This had a significant positive impact on NCPHS' liquidity ratios.