FISCAL YEAR ENDED: 12/31/2014

ANNUAL REPORT CHECKLIST

PROVIDER(S):_

CCRC(S): Northern California Retired Officers Community dba Paradise Valley Estates

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CONTACT PERSON: Karen Whitman

TELEPHONE NO.: (707) 432-1138 EMAIL: Karenw@pvestates.com

● ●

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

D Annual Report Checklist.

✓D Annual Provider Fee in the amount of: $ 34,605.00

D If applicable, late fee in the amount of: $ Ø

D Certification by the provider's *Chief Executive Officer* that:

✓D The reports are correct to the best of his/her knowledge.

✓D Each continuing care contract form in use or offered to new residents has been approved by the Department.

✓D The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.

✓g Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.

✓D Provider's audited financial stateme nts, with an accompanying certified public accountant's opinion thereon.

✓O Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.

✓D Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for *each* community.

✓D 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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PARADISE VALLEY
ESTATES

NORTHERN CALIFORNIA RETIRED OFFICERS
COMMUNITY DBA PARADISE VALLEY ESTATES

STATE OF CALIFORNIA DEPARTMENT OF SOCIAL SERVICE

ANNUAL REPORT

CONTINUING CARE LICENSING
DIVISION AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015

PART 1

ANNUAL PROVIDER FEES

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	519
[2]	Number at end of fiscal year	543
[3]	Total Lines 1 and 2	1,062
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	531
	All Residents	
[6]	Number at beginning of fiscal year	547
[7]	Number at end of fiscal year	551
[8]	Total Lines 6 and 7	1,098
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	549
[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).	96.72%

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service – interest only)		$ 30,538,524
[a]	Depreciation	3,343,741	
[b]	Debt Service (Interest Only)	1,755,181	
[2]	Subtotal (add Line 1a and 1b)		5,098,922
[3]	Subtract Line 2 from Line 1 and enter result.		25,439,602
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		96.72%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		24,605,183
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$24,605

PROVIDER: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
COMMUNITY: PARADISE VALLEY ESTATES

PART 2

CERTIFICATION BY CHIEF EXECUTIVE OFFICER

PARADISE VALLEY
ESTATES

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April 22, 2016

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

This Certification Notice is submitted by the Northern California Retired Officers Community, dba Paradise Valley Estates; to The State of California, Community Care Licensing Division, Continuing Care Contracts Branch, pursuant to the requirements of the Continuing Care Contract Annual Reserve Report, for the year ended December 31, 2015.

To the best of my knowledge, after a review of the enclosed information, I certify the following to be true, complete and correct:

1. The Annual Report is correct.
2. Each continuing care contract form in use or offered for new residents has been approved by the Department.
3. The required reserves are being maintained.

Authorized Representative

Jim Mertz

Jim Mertz
Chief Executive Officer

PART 3

EVIDENCE OF FIDELITY BOND

NORTCAL-03 VSMALLWOOD

ACORD

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 4/22/2016

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

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

PRODUCER License # 0797015 Lewis & Assoc. Ins. Brokers, Inc. 700 W. Center Avenue Visalia, CA 93291	CONTACT NAME: Vicki Smallwood PHONE (A/C, No, Ext): (559) 733-7272 FAX (A/C, No): (559) 733-5612 E-MAIL ADDRESS: vickis@since1927.com
INSURED Northern California Retired Officers Community dba: Paradise Valley Estates 2600 Estates Drive Fairfield, CA 94533	

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Health Care Industry Liability Reciprocal Insurance Company, RRG	
INSURER B : Nationwide Mutual	23787
INSURER C : Ironshore Specialty Ins. Co	
INSURER D : GuardianComp	
INSURER E : Lloyds of London	
INSURER F : Underwriters at Lloyds London	

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

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY PRO-JECT LOC X OTHER: $25K Indem. Only Ded			HCA-CA02-0005-OC-09	12/01/2015	12/01/2016	EACH OCCURRENCE	$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 100,000
							MED EXP (Any one person)	$ 5,000
							PERSONAL & ADV INJURY	$
							GENERAL AGGREGATE	$ 3,000,000
							PRODUCTS - COMP/OP AGG	$
							Prof. Liability	$ 1,000,000
B	AUTOMOBILE LIABILITY X ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS X HIRED AUTOS X NON-OWNED AUTOS X Comp Ded - $250 X Coll Ded - $500			ACPBA3006839609	10/01/2015	10/01/2016	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
C	UMBRELLA LIAB X OCCUR X EXCESS LIAB CLAIMS-MADE DED RETENTION $			002220501	12/01/2015	12/01/2016	EACH OCCURRENCE	$ 10,000,000
							AGGREGATE	$
								$
D	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) Y/N If yes, describe under DESCRIPTION OF OPERATIONS below	N/A		0120211004	01/01/2016	01/01/2017	X PER STATUTE OTH-ER	
							E.L. EACH ACCIDENT	$ 1,000,000
							E.L. DISEASE - EA EMPLOYEE	$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	$ 1,000,000
E	Directors/Officers			DOE00151695	10/15/2015	10/15/2016	Limit	2,000,000
F	Cyber Liability			ESD00133808	06/28/2015	06/28/2016	Liability	1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER	CANCELLATION
Northern California Retired Officers Community dba: Paradise Valley Estates 2600 Estates Drive Fairfield, CA 94533	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE

PART 4

AUDITED FINANCIAL STATEMENTS

Report of Independent Auditors and
Financial Statements

PARADISE VALLEY
ESTATES

December 31, 2015 and 2014

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

CONTENTS

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Northern California Retired Officers Community d.b.a. Paradise Valley Estates
Fairfield, California

We have audited the accompanying financial statements of Northern California Retired Officers Community, d.b.a. Paradise Valley Estates (a California nonprofit public benefit Company), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of Northern California Retired Officers Community, d.b.a. Paradise Valley Estates as of and for the year ended December 31, 2014, were audited by other auditors whose report dated March 30, 2015, expressed an unmodified opinion on those statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern California Retired Officers Community, d.b.a. Paradise Valley Estates, as of December 31, 2015, and the result of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Francisco, California
April 1, 2016

FINANCIAL STATEMENTS

NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
D.B.A. PARADISE VALLEY ESTATES
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 4,257,148	$ 5,157,787
Accounts receivable	431,994	616,141
Entrance fees receivable	1,707,000	2,109,000
Assets whose use is limited	16,219,577	16,520,572
Investments	36,570,214	33,795,834
Prepaid expenses	1,067,775	1,162,927
Inventory	140,341	135,917
Pledges receivable	80,000	760,322
Deposits	-	28,354
Property and equipment, net	65,972,607	65,289,516
Intangible assets, net	8,778	14,322
Deferred financing costs, net	944,071	1,112,280
Total assets	$ 127,399,505	$ 126,702,972
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,215,378	$ 717,841
Accrued personnel expenses	554,591	797,542
Accrued compensated annual leave	468,152	284,745
Accrued interest	643,847	675,978
Other accrued liabilities	920,670	831,940
Revenue bonds	38,999,836	41,931,917
Charitable remainder annuity trust	38,376	90,006
Refundable entrance fees	6,848,968	7,196,605
Unearned entrance fees	56,254,167	52,600,917
Total liabilities	105,943,985	105,127,491
Net assets		
Unrestricted	19,870,046	20,564,769
Temporarily restricted	1,585,474	1,010,712
Total net assets	21,455,520	21,575,481
Total liabilities and net assets	$ 127,399,505	$ 126,702,972

See accompanying notes.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
December 31, 2015 and 2014

	2015	2014
Change in unrestricted net assets:		
Revenues		
Resident services	$ 15,454,802	$ 15,185,361
Health services	6,142,842	6,820,078
Amortization of entrance fees	6,543,356	7,175,039
Investment income	1,291,118	1,421,439
Contributions	-	715,161
Other income	1,714,438	852,832
	31,146,556	32,169,910
Net assets released – restricted purpose met	118,089	123,364
Total unrestricted revenues	31,264,645	32,293,274
Expenses		
Resident services	6,103,244	5,596,833
Utilities	2,038,665	1,874,421
Dining services	4,833,465	4,616,366
Health services	6,668,048	6,050,184
General and administrative	5,344,481	4,689,300
Depreciation	3,343,741	3,146,558
Amortization	168,209	185,412
Interest	1,285,970	1,328,343
Other expenses	752,701	580,037
Total expenses	30,538,524	28,067,454
Income from operations	726,121	4,225,820
Nonoperating (expense) income:		
Unrealized change in value of investments	(1,420,844)	1,379,895
Total nonoperating (expense) income	(1,420,844)	1,379,895
Change in unrestricted net assets	(694,723)	5,605,715
Change in temporarily restricted net assets		
Temporarily restricted contributions	86,858	891,573
Net assets released – restricted purpose met	(118,089)	(123,364)
Other	605,993	-
Change in temporarily restricted net assets	574,762	768,209
Change in total net assets	(119,961)	6,373,924
Net assets, beginning of year	21,575,481	15,201,557
Net assets, end of year	$ 21,455,520	$ 21,575,481

See accompanying notes.

NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
D.B.A. PARADISE VALLEY ESTATES
STATEMENTS OF CASH FLOWS
December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Cash received from residents	$ 21,781,791	$ 22,573,442
Contributions and miscellaneous revenue	2,481,618	380,000
Unearned entrance fees received from residents	11,411,700	13,040,384
Refund of unearned entrance fees	(712,594)	(664,949)
Investment income received	1,291,118	1,421,439
Interest paid	(1,755,182)	(1,823,231)
Cash paid to suppliers and employees	(24,483,262)	(24,127,171)
Net cash provided by operating activities	10,015,189	10,799,914
Cash flows from investing activities		
Net change in assets whose use is limited	300,995	(3,361,856)
Proceeds from sale of investments	4,338,446	-
Purchase of investments	(8,513,638)	(501,781)
Purchase and construction of property and equipment	(4,026,832)	(3,081,647)
Net cash used in investing activities	(7,901,029)	(6,945,284)
Cash flows from financing activities		
Proceeds from contributions limited to long-term use	-	466,412
Payments on revenue bonds	(2,495,000)	(2,375,000)
Payments on charitable reminder trust	(71,662)	(54,198)
Refundable entrance fees received	-	434,006
Refund of refundable entrance fees	(448,137)	(534,375)
Net cash used in financing activities	(3,014,799)	(2,063,155)
Net change in cash and cash equivalents	(900,639)	1,791,475
Cash and cash equivalents, beginning of year	5,157,787	3,366,312
Cash and cash equivalents, end of year	$ 4,257,148	$ 5,157,787

See accompanying notes.

	2015	2014
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	$ (119,961)	$ 6,373,924
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of unearned entrance fees	(6,543,356)	(7,175,039)
Amortization of intangible assets and deferred financing costs	168,209	185,412
Depreciation	3,343,741	3,146,558
Unearned entrance fees received	10,297,106	12,932,387
Unrealized (gain) loss on investments	1,420,844	(2,044,844)
Contributions restricted to long-term use	-	(891,573)
Loss on sale of property and equipment	-	34,747
Amortization of bond premium	(437,081)	(473,638)
(Increase) decrease in assets:		
Accounts receivable	184,147	(234,829)
Prepaid expenses	100,696	(716,731)
Inventory	(4,424)	(25,744)
Pledges receivable	680,322	(335,161)
Entrance fee receivable	402,000	107,997
Refundable deposits	28,354	-
Increase (decrease) in liabilities:		
Accounts payable and other accrued expenses	497,537	(518,285)
Accrued personnel expenses	(242,951)	231,954
Accrued compensated annual leave	183,407	46,739
Accrued interest	(32,131)	(21,250)
Other accrued liabilities	88,730	177,290
Net cash provided by operating activities	$ 10,015,189	$ 10,799,914

See accompanying notes.

NOTE 1 – NATURE OF BUSINESS

The Northern California Retired Officers Community ("NCROC"), located in Fairfield, California, is a California nonprofit public benefit corporation organized to provide housing facilities and related services to primarily retired commissioned officers of the Uniformed Services and their spouses.

The facility consists of 327 housing units, public spaces and amenities, a 40-room assisted living facility and an 88-bed health service facility with 28 beds licensed for assisted living and 60 beds licensed as a skilled nursing facility.

NCROC operates primarily under the "continuing care" concept in which residents enter into a residential contract that generally provides for a specified entrance fee, with certain options for refunds, and for monthly service fees throughout the residents' tenancy. Generally, payment of these fees entitles residents to the use and privileges of NCROC for life. Residents are also entitled to certain health care services provided in the NCROC assisted living and skilled nursing facility. The residency agreement does not entitle the residents to an ownership interest in NCROC.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Functional expenses — The expenses of NCROC are presented according to their functional classification in the accompanying Statements of Activities and Changes in Net Assets. There were no fundraising costs incurred for the years ending December 31, 2015 and 2014.

Performance indicator — "Income from operations" as reflected in the accompanying Statements of Activities and Changes in Net Assets, is the performance indicator. The performance indicator excludes receipt of restricted contributions and unrealized change in values of investments.

Cash and cash equivalents — NCROC considers all highly liquid instruments, with a maturity of three months or less at the time of purchase, to be cash equivalents. The carrying amount reported in the Statements of Financial Position for cash and cash equivalents approximates fair value due to the short-term nature of these financial instruments.

Accounts receivable — Accounts receivable represent amounts due from residents for deposits, monthly service fees and health service fees. An allowance for doubtful accounts is based upon an analysis of the collectibility of outstanding amounts. Accounts deemed uncollectible are charged against the allowance. Subsequent recoveries of bad debts are credited to the allowance. As of December 31, 2015 and 2014, all accounts were deemed collectible. Accounts receivable balances over 90-days at December 31, 2015 and 2014, were $22,465 and $37,723, respectively.

Entrance fees receivable — Entrance fees receivable consist of amounts due from residents. These amounts are supported by a signed continuing care contract, and in some cases, a promissory note. Generally these amounts are satisfied at, or about, the time of initial residency by the contract holder(s). Promissory notes may contain a grace period with respect to interest, but only for a limited time. If the promissory note is extended, a 5% interest rate is assessed.

Assets whose use is limited — Assets whose use is limited at December 31, 2015 and 2014 consist of cash, money market funds and other investments whose use is restricted by donors, the board of directors or the bond agreements. The use of the California Health Facilities Financing Authority Revenue Bonds Series 2013 and Series 2005 assets are legally restricted per the bond agreements. All limited use assets are reported at fair market value.

Investments — Investments consist of long-term certificates of deposit, mutual funds and debt and equity securities recorded at fair value. Equity securities consist of stocks of companies listed with the Securities Exchange Commission.

The fair values for debt securities and equity securities are based upon the quoted market prices at year end. Accordingly, net realized and unrealized gains and losses on debt and equity securities are reflected in the Statements of Activities and Changes in Net Assets.

Inventory — Inventory consists primarily of food and miscellaneous supplies and is stated at the lower of cost (principally using the first-in, first-out method) or market.

Property and equipment — Property and equipment acquisitions in excess of $2,500 and with an estimated useful life of more than three years are capitalized at historical cost. Depreciation is computed using the straight-line method based upon the following estimated useful lives:

Building and improvements	10 to 80 years
Furniture and equipment	3 to 20 years
Land improvements	7 to 80 years
Vehicles	3 to 10 years

Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the Statements of Activities and Changes in Net Assets.

NCROC evaluates whether events and circumstances have occurred that indicate whether the carrying value of long-lived assets have been impaired. In the event that NCROC determines that impairment has occurred, a write-down to estimated fair value would be recorded. Measurement is based on those assets' estimated fair values as compared to the carrying value. No events have occurred during the years ending December 31, 2015 and 2014, that would indicate an impairment of value.

Interest costs incurred on borrowed funds, less investment income earned on unspent borrowed proceeds during the period of construction of long-term assets, are capitalized and amortized over the related assets' estimated useful lives.

Donated property — Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the asset must be used, the contribution is recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Pledges receivable — Unconditional promises to give are recorded in the financial statements as pledges receivable and contribution revenue in the period the promise is received. Pledges receivable due after one year are recorded at present value calculated using a risk-free rate of return in effect at the time the contribution is received. Pledges are written-off in the period deemed uncollectible. The provision for uncollectible amounts is computed based upon management's evaluation of past experiences and analysis of current receivable balances. No pledges were written off for the years ended December 31, 2015 and 2014.

Intangible assets — Intangible assets, consisting of marketing costs incurred during the development stage of NCROC, are deferred and amortized over the future periods in which management believes they will be recovered from future revenues. These costs are being amortized on a straight-line basis over a 12-year period, which approximates the average expected residency agreement term. Included in marketing costs are costs related to direct response advertising incurred prior to and during the initial occupancy period of NCROC, and other marketing and promotional costs incurred in connection with acquiring initial continuing care contracts that have been capitalized in accordance with accounting principles generally accepted in the United States of America. As of December 31, 2015 and 2014 accumulated amortization was $5,624,002 and $5,618,458, respectively.

All other costs of advertising, promotion and marketing programs are charged to expense in the year incurred. For the years ended December 31, 2015 and 2014, NCROC incurred marketing and advertising costs of $1,526,529 and $1,483,779, respectively.

Deferred financing costs — NCROC refinanced its Series 2002 bonds during the year ended December 31, 2013. Costs associated with the issuance of those bonds were written off during the year ended December 31, 2013. This Bond issuance costs are amortized over the term of the respective bonds using the effective interest method. As of December 31, 2015 and 2014, accumulated amortization was $1,877,982 and $1,709,773, respectively. For the years ended December 31, 2015 and 2014, amortization expense was $168,209 and $185,412, respectively.

Bond premium — The bond premium is netted with the related Series 2013 bonds and is amortized over the term of the bonds using the effective interest method. As of December 31, 2015 and 2014, accumulated amortization was $1,281,462 and $844,381, respectively. For the years ended December 31, 2015 and 2014, amortization expense was $437,081 and $473,638, respectively.

Refundable and unearned entrance fees — Refundable entrance fees have been recorded as a liability and unearned entrance fees have been recorded as deferred revenue in the Statements of Financial Position. NCROC offers one basic residency agreement (the "Agreement") with three different refund programs. The differences amongst the Agreement refund programs relate primarily to the amount of entrance fees refundable to the resident (or resident's estate) upon termination of the residency agreement. Under all plans, the resident has a limited time period to cancel the contract and receive a 100% refund of all entrance fees. This cancellation period is five months for contracts signed December 31, 2001, and prior, and three months for contracts signed January 1, 2002, or later. Plan "0" provides for a declining refundable amount based on the length of residency and, generally, requires no refund after approximately four and one-half years of residency. Plans "50" and "95" provide for refunds of 50% and 95%, respectively, of entrance fees upon termination of the residency agreement. The amount of unearned entrance fees reflected in the Statements of Financial Position are estimates that are actuarially determined using data available from similar facilities and are based upon residents' life expectancies and projected withdrawals from the facility.

The total liability for the refundable entrance fee contracts was $6,848,968 and $7,196,605 at December 31, 2015 and 2014, respectively. As required by the state of California, NCROC has established an escrow account that holds funds for the sole purpose of refunding entrance fees. The escrow balance is included in assets whose use is limited on the Statements of Financial Position and was $3,590,512 and $3,459,434 as of December 31, 2015 and 2014, respectively.

Fees paid by the resident upon entering into a residency agreement, net of the portion thereof that is estimated refundable entrance fees, are recorded as unearned entrance fees and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. Resident life expectancy is reevaluated annually.

Actual amounts refundable from refundable entrance fees and unearned entrance fees could change significantly from actuarial estimates.

Future service obligation — NCROC annually calculates the present value of the costs of future services and the use of facilities to be provided to current residents and compares that amount to expected resident service income and deferred revenue from unearned entrance fees. The calculation is an actuarially determined amount of future net cash flows, which is based on the present value of cash outflows and inflows (using a discount rate of 5% for 2015 and 2014) and adjusted for certain noncash items as compared to the balance of unearned entrance fees. This calculation indicates that no net liability for future service to current residents existed at December 31, 2015 and 2014.

Charitable remainder annuity trust — NCROC has established a program under which donors may setup charitable remainder annuity trusts. Under this program, donors can contribute assets to NCROC and in return receive a guaranteed fixed income for life. NCROC recognizes contribution revenue for the difference between the fair value of the assets received and the annuity liability.

Annuity liabilities are recorded for the required life annuity payments at the present value of expected future cash payments discounted using current interest rates and actuarial assumptions for those annuities that have not been reinsured. The annuity obligations are adjusted each year for changes in the life expectancy of the beneficiaries and are reduced either as payments are made to the donor or as annuities are reinsured. The present value of future payment liabilities of charitable gift annuities was $38,376 and $90,006 at December 31, 2015 and 2014, respectively.

Net asset classifications — The accompanying financial statements have been prepared in accordance with the standards set forth in Financial Accounting Standards Board (the "FASB") Accounting Standards Codification (the "ASC") Topic 954, *Health CareEnities* and FASB ASC Topic 958, *Not-for-Profit Entities* and the guidelines set forth in the industry audit and accounting guide *"Health Care Organizations"* issued by the American Institute of Certified Public Accountants. Under these guidelines, contributions of cash and other assets are classified as one of the following three categories:

Unrestricted net assets — represent unrestricted resources available to support NCROC operations and temporarily restricted resources that have become available for use by NCROC in accordance with the intention of the donor. Included within unrestricted are board designated funds of $4,098,188 at December 31, 2015 and 2014, subject to board approval.

Temporarily restricted — represent contributions that are limited in use by NCROC in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of NCROC according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets. Temporarily restricted net assets are available primarily for assistance or other projects as designated by the donors.

Permanently restricted — represent net assets subject to donor-imposed stipulations that they be maintained by NCROC in perpetuity. The Board of Directors has interpreted California's enacted 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 of permanently restricted donations absent explicit donor stipulations to the contrary. As a result of this interpretation, the NCROC classifies as permanently restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanently restricted fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Generally, the donors of these assets permit the NCROC to use all or part of the investment return on these assets. NCROC has no permanently restricted net assets at December 31, 2015 and 2014.

Resident services revenue — In addition to the entrance fees paid by the residents of NCROC, the Agreement requires each resident to pay a monthly service fee. The entire monthly service fee is recognized as revenue on a monthly basis. NCROC began offering a new rental contract during 2011 under which residents are not required to pay an entrance fee but they must pay a monthly premium in addition to the monthly service fees.

Contributions — NCROC reports unconditional contributions of cash and other assets at fair value at the date the contribution is made. Conditional contributions are reported at fair value at the date the conditions are substantially met. Contributions received are recorded as either unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions.

Donor-restricted contributions and related gains and investment income are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Charity Care — NCROC provides care without charge or at amounts less than its established rates to residents who meet certain criteria under its charity care policy. Because NCROC does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue.

Donated services — Significant amounts of time from a number of people have been donated to NCROC. The accompanying financial statements do not reflect the value of those donated services, as no reliable basis exists for reasonably determining the amounts involved.

Workers' compensation plan — NCROC is self-insured for workers' compensation. Claims are accrued under the plan as the incidents that give rise to them occur. Unpaid claims accruals, including estimates of incurred but not reported claims, are based on the estimated ultimate cost of settlement, including claim settlement expenses, in accordance with NCROC's past experience. As of December 31, 2015 and 2014, a workers' compensation reserve liability in the amount of $189,860, and $277,860, respectively, was included in other accrued liabilities on the accompanying Statements of Financial Position.

Concentration of credit risk – Financial instruments potentially subjecting NCROC to concentrations of credit risk consist primarily of bank demand deposits in excess of the Federal Deposit Insurance Corporation insurance thresholds and cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds. Demand deposits are placed with local financial institutions, and management has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the financial statements. The risk associated with the investments is mitigated through diversification.

Concentration of credit risk results from the Corporation granting credit without collateral to its residents and patients, most of whom are local residents and insured under third-party payor agreements. The mix of receivables as of December 31, 2015 and 2014, from residents and third-party payors is listed at Note 17.

Use of estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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, expenses, gains, and losses during the reporting period. Significant items subject to such estimates and assumptions include the fair values of investments, future service obligation, depreciation, and unearned entrance fees. Actual results could differ from those estimates.

Fair value of financial instruments – NCROC's financial instruments consist of accounts receivable, entrance fees receivable, pledges receivable, investments, assets whose use is limited, deposits, accounts payable, accrued expenses, charitable gift annuities and revenue bonds. It is management's opinion that NCROC is not exposed to significant interest rate or credit risk arising from these instruments. Unless otherwise indicated, the fair value of all reported assets and liabilities that represented financial instruments approximate their carrying values. NCROC's policy is to recognize transfers in and transfers out of Level 1 and Level 2 as of the end of the reporting period. Please see Note 5 for fair value hierarchy disclosures.

New accounting pronouncements – In October 2012, the FASB issued Accounting Standard Update ("ASU") No. 2012-05, *Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* ("ASU 2012-05") to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the NFP. NCROC implemented this guidance in 2015. The adoption did not have a material impact on NCROC's financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09") to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For all nonpublic entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. NCROC is currently evaluating the impact of the ASU 2014-09 on the NCROC's financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). The amendment in this update require that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. For all nonpublic entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. NCROC is currently evaluating the impact of the ASU 2015-03 on the NCROC's financial statements.

Reclassifications – Certain financial statement reclassifications have been made to prior year balances for comparability purposes and had no impact on change in net assets as previously reported.

NOTE 3 – TAX STATUS

NCROC has been granted an exemption from federal income tax under the Internal Revenue Code, Section 501(c)(3). This Internal Revenue Code section provides for taxation of certain unrelated business income. Management believes that NCROC has had no significant unrelated business income to date. NCROC is exempt from state income tax under similar provisions of the Franchise Tax Board of the State of California. At December 31, 2015 and 2014, there were no such uncertain tax positions.

NOTE 4 – ASSETS WHOSE USE IS LIMITED

The use of these assets is restricted as follows:

	December 31, 2015	December 31, 2014
Funds held by trustee		
2005 Bond funds:		
Interest fund	$ 41,525	$ 43,354
Principal fund	37,503	39,584
Reserve fund	977,091	995,300
	1,056,119	1,078,238
2013 Bond funds:		
Interest fund	602,436	632,663
Principal fund	2,090,410	2,020,131
Reserve fund	3,326,099	3,334,268
	6,018,945	5,987,062
Board designated funds		
Benevolence fund	285,399	285,399
Capital replacement fund	3,812,789	3,812,789
	4,098,188	4,098,188
Other limited uses		
Benevolence fund	1,061,109	677,190
Entrance fee refund escrow	3,590,512	3,459,434
Charitable annuities	394,704	476,012
Other	-	744,448
	5,046,325	5,357,084
	$ 16,219,577	$ 16,520,572

The board designated funds listed above are fully funded and will be used to enhance the lives of NCROC's residents as they provide a safer and more marketable atmosphere.

Expenditures of $97,080 and $98,425 were made from the Benevolence funds during the years ended December 31, 2015 and 2014, respectively.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are observable, either directly or indirectly, but are not quoted prices included within Level 1. Level 2 includes those financial instruments that are valued using external inputs with models or other valuation methodologies.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the Statements of Financial Position at December 31, 2015 and 2014, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Cash and cash equivalents – Level 1 securities include cash and cash equivalents, including those held in bond sinking funds and held for refundable deposits, as recapped below.

Investments and assets whose use is limited– Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents held for investment, exchange traded equities, growth funds, debt securities and equity securities, and are valued at the closing price reported in the active market in which the individual security is traded. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics, discounted cash flows, or net asset values. In certain cases where Level 1 and Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Revenue bonds – The fair value of revenue bonds is based on quoted market prices in an active market (Level 1). At December 31, 2015 and 2014, the fair value of revenue bonds was $40,766,591 and $43,513,576, respectively.

Charitable remainder annuity trusts – The fair value for charitable remainder annuity trusts are determined by calculating the present value of cash flows expected to be paid out, using various discount rates and life expectancy tables.

NROC's Board of Directors meets with management and the investment advisors to review the strategy and ongoing performance of all investments, including analyzing changes in fair value measurements from period to period.

The following table presents the fair value hierarchy for those financial instruments measured at fair value on a recurring basis:

	December 31, 2015			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset at fair market value:				
Cash and certificates	$ 8,814,658	$ 8,814,658	$ -	$ -
Government securities	1,265,399	1,265,399	-	-
Corporate bonds	15,347,591	15,347,591	-	-
U.S. equity securities	23,983,948	23,983,948	-	-
Other	1,195,450	1,195,450	-	-
Growth funds	2,182,745	2,182,745	-	-
Total assets at fair market value	$ 52,789,791	$ 52,789,791	$ -	$ -
Liabilities:				
Charitable annuity trust	$ 38,376	$ -	$ -	$ 38,376

	December 31, 2014			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset at fair market value:				
Cash and certificates	$ 10,771,969	$ 10,771,969	$ -	$ -
Government securities	1,296,884	1,296,884	-	-
Corporate bonds	13,917,493	13,917,493	-	-
U.S. equity securities	22,373,224	22,373,224	-	-
Growth funds	1,956,836	1,956,836	-	-
Total assets at fair market value	$ 50,316,406	$ 50,316,406	$ -	$ -
Liabilities:				
Charitable gift annuities	$ 90,006	$ -	$ -	$ 90,006

The following table reconciles the beginning and ending balances of recurring fair value measurements significant unobservable (Level 3) inputs:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Liabilities:	Charitable gift annuities
January 1, 2014	$ 144,204
Payments made to annuitants	(54,198)
Net change in present value of annuities	-
December 31, 2014	90,006
Payments made to annuitants	(51,630)
Net change in present value of annuities	-
December 31, 2015	$ 38,376

NOTE 6 –PLEDGES RECEIVABLE

Pledges receivable consists of the following:

	December 31, 2015	December 31, 2014
Benevolence fund pledge	$ 40,000	$ 335,161
Operations fund pledge	40,000	425,161
	$ 80,000	$ 760,322
Receivable in less than one year	$ -	$ 680,322
Receivable in one to five years	40,000	40,000
Receivable in more than five years	40,000	40,000
	$ 80,000	$ 760,322

As of December 31, 2015 and 2014, there was no allowance for uncollectible pledges, as the pledges were deemed collectible.

NOTE 7 – PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	December 31, 2015	December 31, 2014
Land	$ 9,863,452	$ 9,863,452
Land improvements	12,900,247	12,744,467
Building and improvements	65,884,113	65,312,263
Furniture and equipment	22,209,488	20,093,592
Vehicles	695,629	513,935
	111,552,929	108,527,709
Less: accumulated depreciation	(46,930,724)	(43,587,441)
	64,622,205	64,940,268
Construction in progress	1,350,402	349,248
	$ 65,972,607	$ 65,289,516

NOTE 8 – REVENUE BONDS

A summary of revenue bonds is as follows:

	December 31, 2015	December 31, 2014
California Health Facilities Financing Authority Revenue Bonds, Series 2005, reoffered in 2008:		
Interest from 2.75% to 5.80% payable semi-annually. Beginning December 1, 2008, principal payments due serially to December 2026	$ 3,050,000	$ 3,525,000
Interest from 2.75% to 6% payable semi-annually. Beginning December 1, 2021, principal payments due serially to December 2030	5,800,000	5,800,000
California Health Facilities Financing Authority Revenue Bonds, Series 2013:		
Interest from 2.0% to 3.5% payable semi-annually. Beginning January 1, 2014 principal payments due serially to January 2026	28,320,000	30,340,000
	37,170,000	39,665,000
Plus: unamortized bond premium	1,829,836	2,266,917
	$ 38,999,836	$ 41,931,917

The revenue bonds are collateralized by current and future gross revenues of NCROC and all real property. Additionally, NCROC is required to comply with certain debt covenants with respect to additional borrowings, maintenance of insurance, financial reporting and maintenance of certain financial ratios. Also, under the terms of the bonds, NCROC is required to maintain certain deposits with a trustee. Management believes they are in compliance with these covenants as of December 31, 2015.

Future principal payments on the bonds are as follows:

Year Ending December 31,	Series 2005	Series 2013	Total
2016	$ 450,000	$ 2,090,000	$ 2,540,000
2017	500,000	2,165,000	2,665,000
2018	475,000	2,240,000	2,715,000
2019	525,000	2,340,000	2,865,000
2020	550,000	2,455,000	3,005,000
Thereafter	6,350,000	17,030,000	23,380,000
	$ 8,850,000	$ 28,320,000	$ 37,170,000

NOTE 9 – UNEARNED ENTRANCE FEES

	2015	2014
Balance, beginning of year	$ 52,600,917	$ 47,292,526
New fees received	10,909,200	13,148,379
Entrance fees refunded	(712,594)	(664,949)
Amortization of fees	(6,543,356)	(7,175,039)
Balance, end of year	$ 56,254,167	$ 52,600,917

Entrance fees still within a potentially refundable declining period at December 31, 2015 and 2014, were $32,690,024 and $22,491,536, respectively. Based on the past five years actual refunds have averaged $867,877 per year for the potentially refundable declining period.

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2015	2014
Benevolence fund	$ 1,361,849	$ 804,484
Scholarship fund	59,897	50,931
Angels in Paradise	508	508
Health Center fund	8,200	8,200
Specific use fund	149,474	140,889
Worship committee	5,546	5,700
	$ 1,585,474	$ 1,010,712

NOTE 11 – THIRD PARTY PAYOR REVENUE

NCROC has agreements to provide care to recipients of the Medicare program. NCROC charges these residents based on normal posted rates, however, reimbursement by the Medicare program is restricted by various reimbursement guidelines. Net revenues include contractual adjustments, which represent the difference between customary charges and actual payments. Net health service revenues from Medicare for the years ended December 31, 2015 and 2014, were $1,594,104 and $1,869,459, respectively.

The above Medicare revenues for the years ended December 2015, 2014, and 2013 are subject to audit based upon annual cost reports. Upon audit by Medicare intermediaries, there is a possibility of adjustment to revenues.

NOTE 12 – INVESTMENT INCOME

Investment income consists of the following:

	2015	2014
Interest and dividends	$ 1,227,470	$ 1,154,937
Net realized gains	63,648	266,502
	$ 1,291,118	$ 1,421,439

NOTE 13 – LEASES

NCROC leases certain office equipment under operating leases. The terms range from 51 to 60 months, expiring in 2016. Lease expense for the years ended December 31, 2015 and 2014, was $39,061 and $36,520, respectively. Future minimum lease payments are as follows:

Year Ending December 31,	
2016	$ 379
	$ 379

NCROC also leases out certain space within the facility to a bank. The current monthly payment is $1,632 per month and will increase seven percent per year over the term of the lease, which expires in 2017. The future minimum lease payments due to NCROC are as follows:

Year Ending December 31,	
2016	$ 19,816
2017	17,465
	$ 37,281

In addition, NCROC rents out other space and equipment to a beauty salon on a month-to-month basis. Payments are set at 6% of gross receipts. Total rental income under both leases for the years ending December 31, 2015 and 2014, was $23,950 and $22,246, respectively, and was included in other income on the Statements of Activities.

NOTE 14 – DEFINED CONTRIBUTION PLANS

NCROC sponsors a defined contribution retirement plan available to substantially all employees who are at least 18 years old and have been continuously employed by NCROC for at least six months. Participants can make pre-tax contributions up to certain limits while NCROC provides a matching contribution determined annually by the Board. Total administrative costs incurred by NCROC related to this plan during the years ended December 31, 2015 and 2014, were $5,992 and $6,804, respectively.

As of December 2013, NCROC also sponsors a second defined contribution retirement plan available to employees who meet additional eligibility requirements. Participants can make pre-tax contributions up to certain limits while NCROC may make discretionary contributions, as determined by the Board. Total administrative costs incurred by NCROC related to this plan during the years ended December 31, 2015 and 2014, were $627 and $371, respectively.

Total contribution expense related to both plans for the years ending December 31, 2015 and 2014, were $162,571 and $140,151, respectively.

NOTE 15 – STATUTORY RESERVES

NCROC is certified as a Continuing Care Retirement Community ("CCRC") by the State of California Department of Social Services. California Code Chapter 10, Article 6, Section 1792 requires CCRCs to establish "liquid reserves" (cash, marketable securities, etc.) equal to, or greater than the annual principal and interest payments on long-term obligations plus 75 days of the CCRC's adjusted operating expenses. NCROC's liquid reserves at December 31, 2015 and 2014, were not sufficient to meet this requirement. NCROC has until December 2017 to meet this requirement.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

NCROC is party to various claims and legal actions in the normal course of business. In the opinion of management, NCROC has substantial meritorious defenses to pending or threatened litigation and, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the consolidated financial position of NCROC.

On March 23, 2010, the Patient Protection and Affordable Care Act ("PPACA") was signed into law. On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 was signed, amending the PPACA (collectively the "Affordable Care Act"). The Affordable Care Act addresses a broad range of topics affecting the health care industry, including a significant expansion of health care coverage. The expansion is accomplished primarily through incentives to individuals to obtain and employers to provide health care coverage and an expansion in Medicaid eligibility. The Affordable Care Act also includes incentives for medical research and the use of electronic health records; changes designed to curb fraud, waste and abuse; and creates new agencies and demonstration projects to promote the innovation and efficiency in the health care delivery system. Some provisions of the health care reform legislation were effective immediately; others will be phased in through 2016. Further legislative policies are required for several provisions that will be effective in future years. The impact of this legislation will likely affect NCROC. The effect of the changes that will be required in future years are not determinable at this time.

NCROC is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations relate to, among other things, matters such as licensure, accreditation, and government health care program participation requirements, regulations regarding reimbursement for patient services and regulations regarding Medicare billing, fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as significant repayments for patient services previously billed. NCROC has implemented a voluntary corporate compliance program which includes guidance for all NCROC employees' adherence to applicable laws and regulations. Management is not aware of any actions or potential actions at December 31, 2015 and 2014.

NOTE 17 – CONCENTRATIONS OF CREDIT RISK

NCROC provides care to residents under the Medicare program. Noridian Healthcare Solutions, LLC, is the agency responsible for payment for services to Medicare residents.

Accounts receivable consisted of the following:

	December 31,	
	2015	2014
Medicare	$ 147,791	$ 320,954
Resident monthly fees	234,517	189,512
Secondary insurance	40,999	95,213
Other	8,687	10,462
	$ 431,994	$ 616,141

Accounts receivable, gross by payor, as December 31, consisted of the following:

	2015	2014
Medicare	34%	52%
Resident monthly fees	54%	31%
Secondary insurance	10%	15%
Other	2%	2%

In addition, NCROC grants credit to private residents, on an unsecured basis, most of who are local residents.

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. NCROC recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. NCROC's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the Statement of Financial Position but arose after the statement of financial position date and before financial statements are issued.

NCROC evaluated all events or transactions that occurred after December 31, 2015, through April 1, 2016, the date the financial statements are issued.

PART 5

LIQUID RESERVES

Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules

Northern California Retired Officer Community d.b.a. Paradise Valley Estates

As of and for the Year Ended December 31, 2015

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Northern California Retired Officers Community
d.b.a. Paradise Valley Estates

Report on the Financial Statements

We have audited the accompanying financial statements of Northern California Retired Officers Community d.b.a. Paradise Valley (the "Company"), which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5 as of and for the year ended December 31, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserve of the Company as of and for the year ended December 31, 2015, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

MOSS ADAMS LLP
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Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by the Company on the basis of the liquid reserve requirements of 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 meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying supplementary schedules of Attachment I to Form 5-4 Reconciliation of Revenue Received During the Fiscal Year for Services to Persons Who Did Not Have a Continuing Care Contract - State of California – Department of Social Services; and schedules of Attachment I to Form 5-5 Reconciliation of Debt Service Reserve – State of California – Department of Social Services, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the 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 financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of the Company and the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

San Francisco, California
April 26, 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	12/16/05	$475,000	$520,232		$995,232
2	04/04/13	$2,020,000	$1,234,950		$3,254,950
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:	$2,495,000	$1,755,182	$0	$4,250,182

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

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

PROVIDER: Northern California Retired Officers Community

NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY d.b.a. PARADISE VALLEY ESTATES
FORM 5-2
LONG-TERM DEBT INCURRED DURING FISCAL YEAR
(INCLUDING BALLOON DEBT)
For The Year Ended December 31, 2015

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					$0
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
TOTAL:		$0	$0	0	$0

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

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

PROVIDER: Northern California Retired Officers Community

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$4,250,182
2	Total from Form 5-2 bottom of Column (e)	$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	$0
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$4,250,182

PROVIDER: Northern California Retired Officers Community

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$30,538,524
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$1,755,182	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$0	
	c.	Depreciation	$3,343,741	
	d.	Amortization	$168,209	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$1,072,478	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total deductions		$6,339,610
4		Net operating expenses		$24,198,914
5		Divide line 4 by 365 and enter the result.		$66,298
6		**Multiply line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$4,972,350

PROVIDER: Northern California Retired Officers Community

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Northern California Retired Officers Community
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	$ 4,250,182
[2]	Operating Expense Reserve Amount	$ 4,972,350
[3]	**Total Liquid Reserve Amount:**	$ 9,222,532

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

	Qualifying Asset Description		Amount (market value at end of quarter) Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents		$ -		$ 4,257,148
[5]	Investment Securities		$ -		$ 36,570,214
[6]	Equity Securities		$ -		$ -
[7]	Unused/Available Lines of Credit		$ -		$ -
[8]	Unused/Available Letters of Credit		$ -		$ -
[9]	Debt Service Reserve		$ 7,075,063		(not applicable)
[10]	Other: (describe qualifying asset)		$ -		$ 4,098,188
	Listed for Reserve Obligation:	[11]	$ 7,075,063	[12]	$ 44,925,550
	Reserve Obligation Amount:	[13]	$ 4,250,182	[14]	$ 4,972,350
	Surplus/(Deficiency):	[15]	$ 2,824,881	[16]	$ 39,953,200

Signature: James D Metz

(Authorized Representative)

Date: 4/26/16

Chief Executive Officer

(Title)

SUPPLEMENTARY SCHEDULES

Form 5-4 Reconciliation

HEALTH SERVICES	$ 6,142,842
RESIDENT SERVICES	15,454,802
LESS: CCRC AND OTHER REVENUE	(3,713,271)
LESS: MEDICARE REVENUE	(1,594,104)
LESS: HMO REVENUE	(36,985)
LESS: IL REVENUE	(15,180,806)
	$ 1,072,478

#9 DEBT SERVICE RESERVE		
2005 BOND FUNDS		
Interest fund	$	41,525
Principal fund		37,503
Reserve fund		977,091
		1,056,119
2013 BOND FUNDS		
Interest fund	$	602,436
Principal fund		2,090,410
Reserve fund		3,326,099
		6,018,945
TOTAL DEBT SERVICE RESERVE	$	7,075,064

NOTE 1 - BASIS OF ACCOUNTING

The accompanying reserve reports have been prepared in accordance with the provisions of Health and Safety Code Section 1792 administered by the State of California Department of Social Services and are not intended to be a complete presentation of Northern California Retired Officers Community d.b.a. Paradise Valley's assets, liabilities, revenues, and expenses.

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

WWW.MOSSADAMS.COM
101 Second Street, Suite 900
San Francisco, CA 94105
T (415) 956-1500 F (415) 956-4149

April 26, 2016

Mr. Neil Calhoun
Paradise Valley Estates
2600 Estates Drive
Fairfield, CA 94533

Dear Neil:

Attached are the Report of Independent Auditors and Continuing Care Liquid Reserve Schedules for Northern California Retired Officer Community d.b.a Paradise Valley Estates as of and for the year ended December 31, 2015.

Double click the attached paperclip beside the word "Attachment" below the signature line to access the document.

Please call if you have any questions regarding this document or other matters.

Very truly yours,

Joelle Pulver

Joelle Pulver, Senior Manager, for
Moss Adams LLP

Attachment:

PART 6

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE STATEMENT

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4/22/16

FACILITY NAME: PARADISE VALLEY ESTATES

ADDRESS: 2600 ESTATES DRIVE, FAIRFIELD, CALIFORNIA ZIP CODE: 94533` PHONE: 707-432-1100

PROVIDER NAME: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY FACILITY OPERATOR: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY

RELATED FACILITIES: NONE RELIGIOUS AFFILIATION: NONE

YEAR OPENED: 1997 # OF ACRES: 68 ☐ SINGLE STORY ☐ MULTI-STORY ☑ OTHER: BOTH MILES TO SHOPPING CTR: 4 MILES TO HOSPITAL: 5.6

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS — STUDIO:	0	ASSISTED LIVING:	68
APARTMENTS — 1 BDRM:	18	SKILLED NURSING:	60
APARTMENTS — 2 BDRM:	105	SPECIAL CARE:	
COTTAGES/HOUSES:	204	DESCRIPTION: >	
RLU OCCUPANCY (%) AT YEAR END:	96%	>	

* *

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: 95%

RANGE OF ENTRANCE FEES: $ 165,000 - $ 843,600 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: YES

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: OTHER:

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > A RESIDENT SITS ON THE BOARD OF DIRECTORS; > THE RESIDENT COUNCIL'S PRESIDENT AND ONE GUEST ARE INVITED TO ATTEND EACH PARADISE VALLEY ESTATES' BOARD MEETING.

* *

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 /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	☐	☐
OTHER BOCCI BALL	☑	☐			

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: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)

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

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)

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

PROVIDER NAME: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	22,031,403	24,910,591	25,659,605	24,603,200
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	20,003,203	22,995,327	23,407,141	25,740,604
NET INCOME FROM OPERATIONS	2,028,200	1,915,264	2,252,464	-1,137,404
LESS INTEREST EXPENSE	2,457,744	1,776,450	1,328,343	1,285,970
PLUS CONTRIBUTIONS	194,962	160,590	1,606,734	0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	0	0	0	-727,993
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	-234582	299,404	2,530,855	-3,151,367
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	4,950,239	11,925,996	12,275,066	10,699,106

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CAL MORTGAGE	8,850,000	4.38%	12/16/05	12/16/30	25 YEARS
CAL MORTGAGE	28,320,000	2.%	04/04/13	01/01/26	12 YEARS

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2013	2014	2015
DEBT TO ASSET RATIO		34	29	27
OPERATING RATIO		109	104	1.09
DEBT SERVICE COVERAGE RATIO		2.32	3.09	2.10
DAYS CASH ON HAND RATIO		579	624	551

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2012	%	2013	%	2014	%	2015
STUDIO	N/A	0	N/A	0	N/A	0	0
ONE BEDROOM	2,400	2.7	2,466	2.8	2,528	3.25	2,609
TWO BEDROOM	3,629	2.8	3,728	2.7	3,822	3.25	3,946
COTTAGE/HOUSE	3,685	2.8	3,786	2.7	3,880	3.25	4,007
ASSISTED LIVING	3.653	2.6	3,726	2.5	3,833	3.25	3,943
SKILLED NURSING	3.653	2.6	3,726	2.5	3,833	3.25	3,943
SPECIAL CARE	3,653	2.6	3,726	2.5	3,833	3.25	3,943

* *

COMMENTS FROM PROVIDER: > SECOND PERSON FEES FOR CCRC: 2012 $1,070 + 2.75%; 2013 $1,099 + 2.7%; 2014 $1,126 + 2.5%

> 2015 $1,158 + 3.0%

>

PROVIDER NAME: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY

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.

PART 7

REPORT ON CCRC MONTHLY SERVICE 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)	2,693 To 4,949	3,815 to 4,071	3,815 to 4,071
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.25%	3.0%	3.0%

☐ 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: 1/1/2015
(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 RETIRED OFFICERS COMMUNITY
COMMUNITY: PARADISE VALLEY ESTATES

FORM 7-1 *Explanations for Adjustments in Monthly Fees*

- Summary of Documents Used in Determining Rate Adjustment

The following documents were used in developing the monthly fee adjustments for 2015:

NCROC Operating Budget for 2015	Internally developed document detailing all revenues and expenses for projected fiscal year 2015. Developed by Paradise Valley Estates Management.
Report on Actuarial Study and Cash Flow Projection for Paradise Valley Estates	Report done in conjunction with the actuarial firm A.V. Powell & Associates. This report contains observations and recommendations about pricing policies to meet reserve requirements that will help ensure the long-term success of Paradise Valley Estates.
Statements of Operations	The current operating results of Paradise Valley Estates during fiscal year 2015. Based on actual performance.

- Details of Rate Adjustment

Unit Type	Configuration	Square Footage	Month Fee @ 1/ 1/2014	Month Fee @ 1/ 1/2015
Apt – Traditional	1 Bed I Bath	803	$2,446-2,609	$2,525-2,693
Apt -Custom	2 Bed 2 Bath	1140	$3,017-3,220	$3,115-3,324
Apt – Deluxe	2 Bed 2 Bath	1291	$3,273-3,491	$3,379-3,605
Aot -Luxurv	2 Bed + Den 2 Bath	1534	$3,679-3,925	$3,798-4,052
Aot – Royal	2 Bed + Den 2 Bath	1584	$3,763-4,016	$3,885-4,146
Aot -Grande	2 Bed + Den 2 Bath	1846	$4,208-4,490	$4,344-4,635
Apt – Grande plus	2 Bed + Den 2 Bath	1870	$4,248-4,531	$4,386-4,678
Home – Quadraplex	2 Bed 2 Bath	1340	$3,356-3,578	$3,465-3,695
Home – Duplex One	2 Bed +Den 2 Bath	1451	$3,540-3,778	$3,655-3,901
Home - Duplex Two	2 Bed + Den 2 Bath	1505	$3,632-3,873	$3,750-3.999
Home -Manor	2 Bed + Den 2 Bath	2015	$4,493-4,793	$4,639-4,949
Second Person	Variable	Variable	$1,089-1,163	$1,124-1,201

FORM 7-1 *Explanations for Adjustments in Monthly Fees*

- Basis of Monthly Care Fee Adjustment

Methodology for Rate Adjustment

Paradise Valley Estates ("PYE"), a continuing care retirement community located in Fairfield, California, has been in operations since 1997. PYE reached stabilization in 2001. The budget was based on a mix of operating history and projections. Projected occupancy assumptions, an important factor in setting rate adjustments, were developed using actuarially developed assumptions for morbidity and mortality. The scheduled occupancy, along with other individual factors impact the costs that are used to develop operating expense and revenue projections.

PYE must maintain certain financial ratios according to the covenants mandated by its financing arrangements. These ratios include days cash on hand, current ratio, and debt service coverage ratio. These financial obligations also dictate the continuance of financial health for the community and as such play an important role in the revenue and pricing targets that must be maintained.

In projecting the financial needs of the community, many factors are used, including: vacancy turnover, interest rates, ancillary income, resident health care utilization, density rates, operating expenses, facility staffing, employee benefits, contracts, insurance, and inflation.

Summary/Overview Rate Adjustment

After review and preparation of analysis, PYE did increase monthly service fees for its Independent Living Units. PYE did increase daily rates for its Health Care Facility – Laurel Creek Health Center. PYE did increase daily rates for its Assisted Living Facility -Laurel Creek Health Center and Quail Creek.

Paradise Valley Estates

H&SC SECTION 1790(a)(2) and (3) DISCLOSURE

Description of all Reserves Maintained	December 31, 2015	2014
<u>Funds Held by Trustee</u>		
2005 Bond funds:		
Interest funds	$ 41,525	43,354
Principal funds	37,503	39,584
Reserve funds	977,091	995,300
	$ 1,056,119	1,078,238
2013 Bond funds:		
Interest funds	602,436	632,663
Principal funds	2,090,410	2,020,131
Reserve funds	3,326,099	3,334,268
	6,018,945	5,987,062
<u>Board Designated Funds</u>		
Benevolence funds	285,399	285,399
Capital Replacement	3,812,789	3,812,789
	4,098,188	4,098,188
<u>Other Limited Use Funds</u>		
Benevolence funds	1,061,109	677,190
Entrance fee refund escrow	3,590,512	3,459,434
Charitable annuities	394,704	476,012
Other	-	744,448
	5,046,325	5,357,084
	16,219,577	16,520,572

<u>Funds Accumulated for Specific Projects or Purposes</u>

The benevolence funds will be used to provide resident assistance.
The capital replacement funds are set aside for future capital additions
The resident council funds are set aside to be used by the residents.
The scholarship fee refund escrow is set aside for possible refunds.
The charitable gift annuity fund is set aside for apyment of gift annuities.

<u>Per Capita Cost of Operations</u>

Total Operating Expenses (Form 5-4, Line 1)	$ 30,538,524
Mean number of all residents (Form 1-1, Line 10)	549
	$ 55,626

PART 8

KEY INDICATORS REPORT

Date Prepared: 4/25/2016

Please attach an explanator:)I memo that summarizes significant trends orvariances in the key operational indicators.

KEY INDICATORS REPORT
NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY dba PARADISE VALLEYESTATES

Chief Executive Officer Signature

RECEIVED
APR 25 2016
CONTINUING CARE CONTRACTS BRANCH

	2010	2011	2012	2013	2014	2015	Projected 2016	Forecast 2017	2018	2019	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	86	84	82	82	86	87	86	92	97	97	-
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	-3%	-2%	-5%	-10%	2%	-10%	3%	3%	4%	4%	↑
3. Net Operating Margin - Adjusted (%)	24%	25%	17%	30%	33%	24%	27%	29%	30%	32%	↑
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	27,179	28,662	29,126	35,280	38,954	40,827	45,000	49,000	53,000	57,000	↑
5. Days Cash on Hand (Unrestricted)	491	499	510	579	624	551	705	705	705	705	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000)	7,163	6,851	6856	6,030	7,175	6,543	6,750	7,000	7,250	7,500	N/A
7. Net Annual E/F proceeds ($000)	6,629	6,877	4,950	11,926	12,275	10,699	10,500	9,500	8,500	8,000	N/A
8. Unrestricted Net Assets ($000)	5,725	8,407	11,845	14,959	20,565	19,870	18,000	18,000	18,000	18,000	N/A
9. Annual Capital Asset Expenditure ($000)	2,233	3,298	1,404	2,729	3,082	4,026	3,249	3,249	3,249	3,249	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	0.03	0.29	0.18	-0.12	0.45	1.10	0.33	0.40	0.45	0.45	↑
11. Annual Debt Service Coverage (x)	1.45	1.74	1.25	2.32	3.09	3.62	2.50	2.50	2.50	2.50	↑
12. Annual Debt Service/Revenue (%)	0.16	0.17	0.16	0.13	0.11	0.14	0.15	0.18	0.20	0.20	↓
13. Average Annual Effective Interest Rate (%)	5.27%	5.30%	5.35%	5.78%	4.60%	4.43%	3.31%	4.10%	3.35%	3.35%	↓
14. Unrestricted Cash & Investments/Long-Term Debt (%)	56%	62%	66%	89%	105%	118%	120%	127%	135%	135%	↑
15. Average Age of Facility (years)	12.3	12.4	13.0	13.9	13.9	14.0	12.0	11.5	11.0	11.0	↓

PART 9

REFUND RESERVE REPORT
FOR
REFUNDABLE CONTRACTS

FORM 9-1
CALCULATION OF REFUND RESERVE AMOUNT

[1] Resident Name	[2] Sex	[3] Entrance Fee	[4] Refund %	[5] Refund Amount (promised after 6 yrs)	[6] Age	[7] Life Exp.	6% [9] Present Value Multiplier	[10] Present Value of Refund
Biederman, E.	F	$588,439	95%	$559,017	93	3.862	0.798	446,369
Coghill, W.	M	$264,832	50%	$132,416	92	3.388	0.821	108,694
Coor, L.	M	$592,900	95%	$563,255	83	6.269	0.694	390,897
Cruse/Rivard	M	$365,600	50%	$182,800	81	7.188	0.658	120,248
Eyres, L.	F	$267,128	95%	$253,772	98	2.741	0.852	216,312
Flerzheim, H.A.	M	$718,830	95%	$682,889	87	4.806	0.756	516,095
Frantz, J.	M	$728,500	95%	$692,075	91	3.670	0.807	558,831
Haddock, S.	F	$383,040	50%	$191,520	89	5.200	0.739	141,457
Hennings, A.	F	$438,692	95%	$416,757	97	2.914	0.844	351,675
Jacobs, M.	F	$522,900	50%	$261,450	89	5.200	0.739	193,107
Martin, Jerry	M	$587,200	95%	$557,840	86	5.124	0.742	413,849
Nelson, P.	M	$571,280	95%	$542,716	94	2.903	0.844	458,258
Sanders, B.	F	$386,300	50%	$193,150	94	3.579	0.812	156,792
Schaechter, W.	M	$460,500	50%	$230,250	80	7.672	0.640	147,249
Smith, Allan	M	$644,200	95%	$611,990	85	5.475	0.727	444,831
Weeks, D.	M	$586,028	50%	$293,014	89	4.236	0.781	228,925
Williams, E.	M	$407,513	50%	$203,756	86	5.124	0.742	151,162
Williamson, G.	F	$365,600	50%	$182,800	80	9.620	0.571	104,360
				$6,751,467				
							TOTAL AMOUNT REQUIRED FOR REFUND RESERVE :	$5,149,111

Initial 2012 Funding (3% Minimum Required per agreement with DSS)	350,000
Subsequent Funding 2013:	1,000,000
Subsequent Funding 2014:	1,000,000
Subsequent Funding 2015:	
Subsequent Funding 2016:	
Subsequent 2017 Funding (to attain 100% of Requirement per agreement with DSS):	
Total Required Balance as of 12/31/2015	2,350,000
Total Escrow Balance for Refundable Contract as of 12/31/2015	3,586,932
Unfunded Reserves as of 12/31/2015	(1,562,179)

PROVIDER: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
COMMUNITY: PARADISE VALLEY ESTATES