

ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED:
12 / 31 / 15

PROVIDER(S): Pilgrim Place In Claremont

RECEIVED
APR 29 2016

CCRC(S): Same

CONTINUING CARE
CONTRACTS BRANCH

CONTACT PERSON: Audrey Morabito

TELEPHONE NO.: (909) 399-5505

EMAIL: amorabito@pilgrimplace.org

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

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$ 13,579
 - If applicable, late fee in the amount of: \$ _____
- Certification by the provider's **Chief Executive Officer** that:
 - The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- 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.



PILGRIM PLACE

625 Mayflower Road
Claremont, CA 91711

www.pilgrimplace.org

Tel: (909) 399-5500

Fax: (909) 399-5508

RECEIVED
APR 29 2016

CONTINUING CARE
CONTRACTS BRANCH

APRIL 27, 2016

State of California
Department of Social Services
Community Care Licensing Division
Continuing Care Contracts Branch
774 P. Street, M.S. 10-90
Sacramento, CA 95814

RE: Chief Executive Officer Certifications

To Whom It May Concern,

This letter shall serve as certification of the following:

- The enclosed reports are correct to the best of my knowledge.
- Each continuing care contract form in use or offered to new residents has been approved by the Department.
- We are maintaining the required liquid reserve as reflected on the enclosed reports.

Warm regards,

Ann R. Schiff

President and Chief Executive Officer

Enclosures

CRIME COVERAGE FORM

Various provisions in the policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this Coverage Form the words "**you**" and "**your**" refer to the Named Insured shown in the Declarations. The words "**we**", "**us**", and "**our**" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section **G., Definitions.**

Coverage Summary

	Basic Limit Of Insurance	Basic Deductible	Superseding Limit Of Insurance	Superseding Deductible
"Money" and "Securities"- Inside the Premises	\$ 5,000	\$ 500	\$	\$
"Money" and "Securities"- Outside the Premises	\$ 5,000	\$500	\$	\$
Money Orders and Counterfeit Paper Currency	\$ 5,000	\$500	\$	\$
Kidnap and Ransom – Extortion	\$25,000	None		

Optional Coverage Summary

	Limit of Insurance	Deductible
Forgery or Alteration	\$	\$
Computer Fraud	\$	\$
Employee Dishonesty	\$ 500,000	\$ 5,000

If this box is marked with "X", **Clause B.1.f., Coverage Extension - Welfare and Pension Plan ERISA Compliance**, applies to this policy.

A. Coverage

1. Money and Securities

Covered Property, as used in this Coverage, means "**money**" and "**securities**" used in your business.

a. We will pay for all loss to Covered Property:

(1) **Inside the Premises** - while at a bank or savings institution, at the "**premises**", or

(2) **Outside the Premises** - in transit between any of the places described in 1. a. (1) above; resulting directly from:

- (a) Theft, meaning any act of stealing;
- (b) Disappearance; or
- (c) Destruction.

b. In addition to the General Exclusions of this Form, we will not pay for loss:

- (1) Resulting from accounting or arithmetical errors or omissions.
- (2) Due to the giving or surrendering of property in any exchange or purchase.
- (3) Of property contained in any money-operated device unless the amount of money deposited in it is recorded by a continuous recording instrument in the device.
- (4) Resulting from any dishonest or criminal act committed by any of your **"employees"**, directors, trustees or authorized representatives:
 - (a) Acting alone or in collusion with other persons; or
 - (b) While performing services for you or otherwise.
- (5) Of Covered Property after it has been transferred or surrendered to a person or place outside the **"premises"** or a bank or savings institution on the basis of unauthorized instructions.
- (6) Resulting from your, or anyone acting on your express or implied authority, being induced by any dishonest act to voluntarily part with title to or possession of any property.

c. Additional Definition

As respects Money and Securities coverage:

"Occurrence" means an:

- (1) Act or series of related acts involving one or more persons; or
- (2) Act or event, or a series of related acts or events not involving any person.

2. Money Orders and Counterfeit Paper Currency

We will pay for loss due to the acceptance in good faith of Covered Property.

a. Covered Property, as used in this Coverage, means:

- (1) Any post office or express money order accepted in exchange for merchandise, **"money"** or services issued, or purporting to have been issued, by any post office or express company, if such money order is not paid upon presentation; or
- (2) Counterfeit United States or Canadian paper currency accepted in the regular course of business.

b. In addition to the General Exclusions of this Form, we will not pay for loss resulting from:

- (1) Any dishonest or criminal act committed by any of your **"employees"**, directors, trustees or authorized representatives:

B. Optional Coverages

The following Optional Coverages for which a limit of insurance is shown in the Coverage Summary are also provided:

1. Employee Dishonesty

We will pay for loss of, and loss from damage to Covered Property resulting directly from **"employee dishonesty"**.

- a. Covered Property, as used in this Coverage, means **"money"**, **"securities"** and **"property other than money and securities"**.
- b. We will pay for loss caused by any **"employee"** while temporarily outside the Coverage Territory for a period not more than 90 days.
- c. We will not pay for:
 - (1) Loss caused by any **"employee"** of yours, or predecessor in interest of yours, for whom similar prior insurance has been canceled and not reinstated since the last such cancellation.
 - (2) Loss, or that part of any loss, the proof of which as to its existence or amount is dependent upon:
 - (a) An inventory computation; or
 - (b) A profit and loss computation.

d. Additional Condition

The following applies in addition to the General Conditions of this Form.

Cancellation As To Any Employee

This insurance is canceled as to any **"employee"**:

- (1) Immediately upon discovery by:
 - (a) You; or
 - (b) Any of your partners, officers or directors not in collusion with the **"employee"**;
of any dishonest act committed by that **"employee"** whether before or after becoming employed by you.
- (2) On the date specified in a notice mailed to you. That date will be at least 30 days after the date of mailing.

The mailing of notice to you at the last mailing address known to us will be sufficient proof of notice. Delivery of notice is the same as mailing.

e. Additional Definition

As respects Employee Dishonesty coverage:

"**Occurrence**" means all loss caused by, or involving, one or more "**employees**", whether the result of a single act or series of acts.

f. Coverage Extension - Welfare and Pension Plan ERISA Compliance

In compliance with certain provisions of the Employee Retirement Income Security Act (ERISA):

(1) "**Employee**" also includes any natural person who is:

(a) A trustee, officer, employee, administrator or a manager, except an administrator or a manager who is an independent contractor, of any Employee Welfare or Pension Benefit Plan (hereinafter called Plan) insured under this insurance, and

(b) Your director or trustee while that person is handling funds or other property of any Plan insured under this insurance.

(2) If any Plan is insured jointly with any other entity under this insurance, you or the Plan Administrator must select a Limit of Insurance that is sufficient to provide an amount of insurance for each Plan that is at least equal to that required if each Plan were separately insured.

(3) If the Insured first named in the Declarations is an entity other than a Plan, any payment we make to that Insured for loss sustained by any Plan will be held by that Insured for the use and benefit of the Plan(s) sustaining the loss.

(4) If two or more Plans are insured under this insurance, any payment we make for loss:

(a) Sustained by two or more Plans; or

(b) Of commingled funds or other property of two or more Plans;

that arises out of one "**occurrence**" is to be shared by each Plan sustaining loss in the proportion that the amount of insurance required for each such Plan under ERISA provisions bears to the total of those amounts.

(5) The Deductible provision does not apply to loss sustained by any Plan subject to ERISA which is insured under this insurance.

2. Forgery or Alteration

We will pay for loss due to forgery or alteration of, on or in any Covered Property.

a. Covered Property, as used in this Coverage, means "**Covered Instruments**" that are:

(1) Made or drawn by or drawn upon you;

(2) Made or drawn by one acting as your agent;

or that are purported to have been so made or drawn.

Philadelphia Indemnity Insurance Company

Named Insured Schedule

Policy Number: PHPK1444699

Pilgrim Place in Claremont Inc

Pilgrim Place in Claremont Inc

Pilgrim Place In Claremont Inc 403B Plan
Re: ERISA

Pilgrim Place In Claremont Inc 403B Plan
Re: ERISA

PILGRIM PLACE IN CLAREMONT

**Financial Statements for the
Years Ended December 31, 2015 and 2014
and
Independent Auditor's Report**



PILGRIM PLACE IN CLAREMONT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pilgrim Place in Claremont

We have audited the accompanying financial statements and the related notes to the financial statements of Pilgrim Place in Claremont (Pilgrim Place) as of December 31, 2015 and 2014 and for the years then ended, as listed in the accompanying table of contents.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Pilgrim Place'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 Pilgrim Place'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.

Board of Directors
Pilgrim Place in Claremont

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pilgrim Place as of December 31, 2015 and 2014, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses in the supplemental information section is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements 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 as a whole.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
April 18, 2016

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and money market funds	\$ 6,037,069	\$ 6,005,362
Restricted cash and money market funds	99,601	61,539
Cash with trustee - bonds	427,303	247,045
Accounts receivable	1,894,113	1,501,452
Inventories	54,528	55,943
Prepaid expenses	<u>103,974</u>	<u>16,222</u>
Total Current Assets	8,616,588	7,887,563
Cash with Trustee - Bonds	1,993,314	2,006,877
Pledges Receivable (Note 2)	624,297	885,862
Charitable Remainder Trust (Note 3)	65,518	65,518
Investments (Note 4)		
Investments	2,371,353	2,737,680
Restricted investments	<u>6,749,662</u>	<u>7,037,919</u>
Total investments	9,121,015	9,775,599
Capitalized fees	1,942,201	2,022,251
Property, Plant and Equipment, net (Note 5)	<u>43,703,475</u>	<u>43,737,032</u>
Total Assets	<u>\$ 66,066,408</u>	<u>\$ 66,380,702</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 688,473	\$ 461,430
Salaries and benefits payable	420,710	827,383
Line of credit (Note 8)	500,000	500,000
Current portion Insured Senior Living Revenue Bonds (Note 10)	520,000	495,000
Deposits and deferred revenue	<u>1,072,857</u>	<u>548,625</u>
Total Current Liabilities	3,202,040	2,832,438
Long-Term Debt, less current portion		
Promissory notes (Note 7)	460,000	-
Insured Senior Living Revenue Bonds (Note 10)	24,515,143	25,032,827
Annuities Payable	648,702	738,333
Other Liabilities		
Deferred revenue entrance fees	3,184,866	3,839,522
Deferred repayment entrance fees	3,710,480	3,074,716
Deferred revenue capital giving	<u>105,314</u>	<u>182,414</u>
Totals Liabilities	<u>35,826,545</u>	<u>35,700,250</u>
Net Assets:		
Unrestricted	20,566,779	20,523,585
Temporarily restricted (Note 11)	3,743,090	4,287,731
Permanently restricted (Note 11)	<u>5,929,994</u>	<u>5,869,136</u>
Total Net Assets	<u>30,239,863</u>	<u>30,680,452</u>
Total Liabilities and Net Assets	<u>\$ 66,066,408</u>	<u>\$ 66,380,702</u>

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

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>REVENUES</u>		
Independent living	\$ 6,221,672	\$ 6,192,908
Assisted living	2,387,004	2,276,848
Skilled nursing, net (Note 13)	6,209,651	6,004,570
Entrance fees - program	1,837,337	2,016,001
Other income - program	132,599	174,652
Net assets released from restrictions-		
Resident Health and Support Program Supplements	432,304	403,000
Contributions - designated	730,926	1,647,834
Annual Giving - designated	75,309	75,847
Total revenues	<u>18,026,802</u>	<u>18,791,660</u>
<u>EXPENSES</u>		
Independent living	694,245	708,330
Assisted living	1,776,490	1,776,815
Skilled nursing	5,127,707	4,929,163
Housekeeping, laundry and dietary	3,684,156	3,581,621
Resident services	39,633	36,297
General and administrative	1,841,146	1,786,476
Interest	1,590,600	1,551,045
Plant operations and maintenance	1,809,942	1,888,240
Fundraising	405,466	501,257
Total expenses before depreciation	<u>16,969,385</u>	<u>16,759,244</u>
Operating gain before depreciation and other revenues	1,057,417	2,032,416
Depreciation expense	2,080,446	2,007,472
Operating gain (loss)	<u>(1,023,029)</u>	<u>24,944</u>
<u>OTHER REVENUES, GAINS AND (LOSSES)</u>		
Annual Giving - undesignated	238,073	286,253
Investment income	55,614	55,495
Realized and unrealized investment gains	(1,345)	13,297
Amortization of deferred revenue from capital gifts	77,100	77,100
Gifts -		
Collections	10,778	7,391
Other designated	1,825	-
Other capital projects and housing agreements	364,875	129,630
Net assets released from restrictions -		
Board allocation from endowment	287,196	223,877
Matured gift annuities	8,019	3,303
Miscellaneous	24,088	4,455
Total other revenues, gains	<u>1,066,223</u>	<u>800,801</u>
Change in unrestricted net assets	<u>\$ 43,194</u>	<u>\$ 825,745</u>

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

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF CHANGES IN NET ASSETS

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>UNRESTRICTED NET ASSETS</u>		
Operating gain (loss)	\$ (1,023,029)	\$ 24,944
Other revenues, gains and (losses)	<u>1,066,223</u>	<u>800,801</u>
Increase in unrestricted net assets	<u>43,194</u>	<u>825,745</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Annual residents' festival - net revenue	178,683	194,830
Contributions	81,252	170,676
Investment income	209,702	17,979
Realized and unrealized investment gains (losses)	(256,301)	412,037
Present value adjustment of gift annuities payable	(6,370)	183
Net assets released from restrictions:		
Resident Health and Support Program Supplements	(432,304)	(403,000)
Board allocation from endowment	(287,196)	(223,877)
Matured gift annuities	(8,019)	(3,303)
Miscellaneous	<u>(24,088)</u>	<u>(4,455)</u>
Increase (decrease) in temporarily restricted net assets	<u>(544,641)</u>	<u>161,070</u>
<u>PERMANENTLY RESTRICTED NET ASSETS</u>		
Contributions	1,367	2,087
Contributions from new gift annuities	29,538	35,609
Present value adjustment of gift annuities payable	<u>29,953</u>	<u>(14,622)</u>
Increase in permanently restricted net assets	<u>60,858</u>	<u>23,074</u>
INCREASE (DECREASE) IN NET ASSETS	(440,589)	1,009,889
NET ASSETS - BEGINNING OF YEAR	<u>30,680,452</u>	<u>29,670,563</u>
NET ASSETS - END OF YEAR	<u>\$ 30,239,863</u>	<u>\$ 30,680,452</u>

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

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from resident fees	\$ 14,950,143	\$ 14,593,448
Cash received from entrance fees	1,818,445	1,739,864
Cash received from other operating activities	178,863	194,830
Contributions	1,059,216	1,196,558
Investment income received	249,594	498,808
Interest payments	(1,533,121)	(1,551,038)
Cash paid to suppliers and employees	<u>(14,968,805)</u>	<u>(15,260,238)</u>
Net cash provided by operating activities	<u>1,754,335</u>	<u>1,412,232</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of investments	(33,539)	(520,603)
Proceeds from sale of investments	431,603	941,014
Acquisition of property and equipment	<u>(1,671,239)</u>	<u>(1,138,323)</u>
Net cash used by investing activities	<u>(1,273,175)</u>	<u>(717,912)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Payments on line of credit	(500,000)	(600,000)
Borrowing from line of credit	500,000	500,000
Borrowing of promissory notes	460,000	-
Payments on insured senior living revenue bonds	(495,000)	(470,000)
Payments on annuity obligations	(109,907)	(124,981)
Proceeds (payments) from contributions restricted for:		
Investment in plant	(116,235)	25,532
Investment subject to annuity arrangements	<u>16,446</u>	<u>44,391</u>
Net cash used by financing activities	<u>(244,696)</u>	<u>(625,058)</u>
NET INCREASE IN CASH	236,464	69,262
CASH BALANCES - BEGINNING OF YEAR	<u>8,320,823</u>	<u>8,251,561</u>
CASH BALANCES - END OF YEAR	<u>\$ 8,557,287</u>	<u>\$ 8,320,823</u>

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

PILGRIM PLACE IN CLAREMONT

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ (440,589)	\$ 1,009,889
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Actuarial adjustment of annuity obligation	23,583	14,439
Amortization of capitalized fees	80,050	80,050
Amortization of bond discount	2,316	2,316
Amortization of deferred revenue from capital gifts	(77,100)	(77,100)
Amortization of entrance fees	(1,837,337)	(2,016,001)
Contributions restricted for long term purposes	(385,750)	(129,630)
Depreciation	2,080,446	2,007,472
Net realized and unrealized (gain) loss on investments	257,646	(425,334)
Non-cash contributions	(10,778)	(7,391)
Decrease (increase) in operating assets:		
Accounts receivable	(276,426)	119,122
Pledges receivable	261,565	(781,382)
Inventories	1,415	(15,417)
Prepaid expenses	(87,752)	61,458
Increase (decrease) in operating liabilities:		
Accounts payable	227,043	(284,652)
Salaries and benefits payable	(406,673)	143,570
Deposits and deferred revenue	2,342,676	1,710,823
Net cash provided by operating activities	<u>\$ 1,754,335</u>	<u>\$ 1,412,232</u>
Breakdown of ending cash balance:		
Cash and money market funds	\$ 6,037,069	\$ 6,005,362
Restricted cash and money market funds	99,601	61,539
Cash with trustee - bonds	2,420,617	2,253,922
Total	<u>\$ 8,557,287</u>	<u>\$ 8,320,823</u>

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

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General - Pilgrim Place in Claremont (Pilgrim Place) was incorporated in 1915 as a not-for-profit corporation described in Section 501(c)(3) of the Internal Revenue Code (IRC), for the purpose of maintaining a home for persons who have served in careers in charitable non-profit organizations. Pilgrim Place is exempt from federal income taxes under IRC Section 501(a) and contributions to Pilgrim Place qualify as deductible charitable contributions for income tax purposes under IRC Section 170(a)(viii). Pilgrim Place is exempt from state franchise taxes under similar provisions from the State of California. Pilgrim Place operates a residential retirement facility located in Claremont, California which provides housing and related services to approximately 355 residents under continuing care contracts.

Net Asset Classes - Pilgrim Place classifies its net assets into three categories; unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets generally result from revenues from providing services, receiving unrestricted contributions, and receiving dividend and interest income, less expenses incurred in providing services, raising contributions, and performing administrative functions. The only limits on the use of unrestricted net assets are the broad limits resulting from Pilgrim Place's mission as defined in its articles of incorporation and bylaws.

Temporarily restricted net assets are those whose use by Pilgrim Place has been limited by donors to a specific time period or purpose.

Permanently restricted net assets have been restricted by donors to be maintained by Pilgrim Place in perpetuity.

Board Designated Amounts - The Board of Directors has designated certain unrestricted amounts which are recorded in the Endowment Fund. These amounts are included in unrestricted cash, money market funds and investments and totaled \$2,674,793 and \$2,681,273 as of December 31, 2015 and 2014, respectively. In as much as these amounts have no donor restrictions, the Board may undesignate these amounts at any time. Additionally, \$70,996 and \$57,682 has been designated for specific resident programs as of December 31, 2015 and 2014, respectively.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Split-Interest Agreements - Pilgrim Place has gift annuities and charitable remainder trusts. The terms and discount rates for these agreements are based upon the life expectancy of the donor(s) and present value tables provided by the Internal Revenue Service for determining the amount of the charitable contribution. Gift annuity contracts are a general liability of Pilgrim Place and are not limited to the assets in the separate fund. The actuarially determined liability is calculated annually and is adjusted accordingly. As a qualifying not-for-profit corporation, Pilgrim Place is authorized by the State of California to issue gift annuity contracts and is accordingly subject to applicable State laws and regulations. Under these laws, Pilgrim Place has met the legal reserve requirement. The charitable remainder trusts are administered by a third-party. Assets associated with the split-interest agreements are recognized at fair market value.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

At December 31, 2015 and 2014, Pilgrim Place had cash balances in various financial institutions that exceed the Federal Depository Insurance Limits (FDIC) by \$5,625,908 and \$5,452,527, respectively.

Pilgrim Place routinely invests its surplus operating funds in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations. Investments in money market funds are not insured or guaranteed by the U.S. government.

Inventory - Inventory consists of office, food and kitchen supplies and is valued at cost on the first in/first out basis.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Accounts and Pledges Receivable - Accounts receivable represents amounts due from residents and third-party payers such as Medi-Cal and Medicare for services provided. Unconditional promises to give are recorded at fair value using present value techniques at a 2.5% discount rate. Amortization of the discount is included in contribution revenue.

Management has reviewed the collectability of accounts and pledges receivable and has determined the balances to be fully collectable. A plan to regularly evaluate accounts and pledges receivable and the potential collectability is in place and reviewed throughout the year.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position (see Note 4).

Realized gains and losses on dispositions are based on the net proceeds and the adjusted carrying value of the securities sold.

Unrealized gains and losses represent the net change in fair value of the securities and are recorded as an increase or decrease to net assets.

Capitalized Fees - Amounts paid for fees and underwriting costs associated with long-term debt are capitalized and amortized to interest expense over the life of the liability. These costs are amortized using the straight-line method.

Property and Equipment - Property and equipment are stated at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. For equipment, Pilgrim Place's capitalization policy includes all items with a unit cost of \$1,000 or more and an estimated useful life of greater than five years. Renovation projects with small individual job costs with a cumulative total exceeding \$1,000 are also capitalized if they benefit future periods. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Depreciation is computed on the straight-line method based on the following useful lives:

Land improvements	20-50 years
Buildings and improvements	10-50 years
Furniture and equipment	5-20 years

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Property and Equipment - (continued) Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Museum Collection - The Museum collection includes paintings and fine and decorative art objects. All items in the collection are deemed inexhaustible assets and therefore are not depreciated. According to Museum policy, any proceeds from the sale of the collection items will be reinvested in other collection items.

Deferred Revenue and Repayment from Entrance Fees - Entrance fees paid by a resident upon entering into a Classic Care and Residence Agreement are recorded as deferred revenue and amortized to income over a 50 month period. Under this type of resident contract the full amount of the entrance fee is refundable if a resident leaves Pilgrim Place within the first 90 days after entering; otherwise the remaining unamortized entrance fee is refunded if a resident leaves. Unamortized entrance fees for this residence agreement type are \$3,051,177 and \$3,716,423 as of December 31, 2015 and 2014, respectively.

Entrance fees paid by a resident upon entering into a 90% Deferred Repayment Care and Residence Agreement are recorded as deferred revenue with ten percent of the fee amortized to income over a 50 month period. Under this type of resident contract the full amount of the entrance fee is refundable if a resident leaves Pilgrim Place within the first 90 days after entering; otherwise 90% of the entrance fee is refunded if the resident leaves. This refundable portion is recorded as deferred repayment entrance fees and totaled \$3,710,480 and \$3,074,716 as of December 31, 2015 and 2014, respectively. Unamortized entrance fees on the 10% portion totaled \$133,689 and \$123,099 as of December 31, 2015 and 2014, respectively.

Management believes the estimated amount of entrance fees that are expected to be refunded to current residents under the terms of these contracts and based on previous attrition experience is not material and, as such, a provision for the liability has not been reported separately as a current liability.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Charity Care - Residents of Pilgrim Place enter without an admission means test. As a result, at any given time, nearly 10% to 20% of residents lack the resources to provide for their daily needs. Their lifetime service to religious or charitable non-profit organizations has meant financial sacrifice for many residents. Together they built churches, ministered to the needy, visited the sick and supported their communities. Their need for care is a direct result of their lifetime of service to others and the world.

Services were provided to residents with a demonstrated inability to pay through the Resident Health and Support Program. Funds released from net assets from gifts to subsidize this program were \$432,304 and \$403,000 for the years ended December 31, 2015 and 2014, respectively. The subsidy reported for this program does not meet the accounting standards definition of charity care; therefore, costs associated with this program have not been estimated.

Deferred Revenue from Capital Gifts - Prior to 2003, Pilgrim Place issued rental credits to those residents who had paid for authorized improvements of more than \$5,000 or who completely paid for the construction of a new unit. The present value of estimated future rental credits was calculated and recorded as deferred revenue. Amounts received from residents exceeding this amount were recorded as donated property. Deferred revenue resulting from these gifts is amortized over the remaining life expectancy of the residents, beginning at the date of completion.

Effective in 2003, rental credits are no longer issued on the builder/donor projects and amounts received from residents for authorized improvements and construction of new units are recorded as capital gifts in the year received.

Obligation to Provide Future Services - Pilgrim Place annually calculates the present value of the net cost of future services and use of facilities to be provided to current continuing care contract residents and compares that amount with the future cash inflows from monthly fees and the balance of deferred revenue from advance fees. If the estimated present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability will be recorded with the corresponding charge to income. For the years ended December 31, 2015 and 2014, the calculation resulted in no future service liability. The discounted rate used for both years was 4.0%, based on the expected long term rate of return on governmental obligations.

Pilgrim Place estimates the cost of future services and the use of facilities in calculating the future obligation. The estimated amount of the obligation is based on actuarial assumptions such as life expectancy, projected future monthly resident fees, projected future operating costs and estimated future inflation rates. It is anticipated that actual results may differ from those estimates.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Net Patient Service Revenue - Pilgrim Place has agreements with third-party payors that provide for payments to Pilgrim Place at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Contributions and Donor-Restricted Gifts - Contributions, including unconditional promises to give, are recognized as revenues in the period the contribution or unconditional promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When a donor's restriction is met within the same year as the donation, the donation is reported as unrestricted.

Functional Allocations of Expenses - The costs of providing the various programs and support services have been summarized on a functional basis in the statement of operations. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - Pilgrim Place has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to Pilgrim Place's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

Pilgrim Place files informational returns in the U.S. federal jurisdiction and the state of California. With few exceptions, Pilgrim Place is no longer subject to U.S. federal and state examinations by tax authorities for generally three and four years, respectively.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Reclassifications - Certain amounts in the 2014 financial statements have been reclassified to conform with the 2015 presentation.

Subsequent Events - Pilgrim Place has evaluated subsequent events through April 18, 2016, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

NOTE 2 - PLEDGES RECEIVABLE:

Unconditional promises to give related to the Napier and Centennial Campaign at December 31, 2015 and 2014 are as follows:

	2015		
	Napier	Centennial	Total
Receivable - less than one year	\$ 15,469	\$ 289,511	\$ 304,980
Receivable - one to five years		352,077	352,077
Gross unconditional pledges	15,469	641,588	657,057
Less: discount	(368)	(32,392)	(32,760)
Net pledges receivable	<u>\$ 15,101</u>	<u>\$ 609,196</u>	<u>\$ 624,297</u>
	2014		
	Napier	Centennial	Total
Receivable - less than one year	\$ 16,948	\$ 242,604	\$ 259,552
Receivable - one to five years	4,406	691,995	696,401
Gross unconditional pledges	21,354	934,599	955,953
Less: discount	(726)	(69,365)	(70,091)
Net pledges receivable	<u>\$ 20,628</u>	<u>\$ 865,234</u>	<u>\$ 885,862</u>

Pledges receivable have been discounted to present value using a discount rate of 2.5% for both years.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 3 - SPLIT-INTEREST AGREEMENTS:

Gift Annuities - Pilgrim Place sponsors a charitable gift annuity program as part of its fund raising activities. All amounts received in exchange for these annuity contracts are segregated for investment in a separate fund. At December 31, 2015 and 2014, respectively, Pilgrim Place managed a total of \$767,620 and \$850,990 in assets under this program. Management has interpreted the agreements to require investment of the entire contract amount until the annuitant dies. All required payments to annuitants are made from this separate fund. At the time of death of the annuitant, the residuum is distributed from this fund to the designated net asset class as specified by the annuitant at the time the agreement was issued. If no designation was made, the residuum is distributed to the unrestricted net asset class.

Charitable Remainder Trust - Pilgrim Place is the beneficiary of two charitable remainder trust agreements (the "Trusts"). The Trusts are irrevocable and the beneficiary designation may not be changed. The Trusts are reported at fair value determined based on the present value of the net proceeds that are expected to be available to Pilgrim Place at the Trusts' maturity dates, discounted using Pilgrim Place's ten year U.S. Treasury Bill rate over the periods until the estimated maturity dates. The contribution revenue is recorded in the statements of changes in net assets. The irrevocable portion of these Trusts at December 31, 2015 and 2014 amounted to \$65,518. The contribution will be collected after the contributor's death. Pilgrim Place classifies all receivables related to charitable remainder trusts as temporarily restricted.

NOTE 4 - INVESTMENTS:

Investment income and a schedule of net realized and unrealized gains for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Investment income, net of expense of \$22,136 and \$29,746 , respectively	\$ 265,316	\$ 73,474
Net realized and unrealized gain (loss):		
Opportunity Fund	1,656	2,202
Gift Annuity Fund	(9,408)	23,525
Endowment and Specific Purpose Funds	(259,302)	423,132

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

NOTE 4 - INVESTMENTS: (continued)

The following is a schedule of aggregate cost and fair values for Pilgrim Place's marketable securities. Investments are segregated into two portfolios. One portfolio is for gift annuity investments. The other portfolio is for Board designated, endowment and specific purpose resources.

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
General Fund:				
Equity securities (Level 1)	\$ 45,760	\$ 46,173	\$ 45,760	\$ 44,721
Land (Level 3)	45,000	45,000	45,000	45,000
	<u>90,760</u>	<u>91,173</u>	<u>90,760</u>	<u>89,721</u>
Gift Annuity Fund:				
Equity securities (Level 1)	245,588	378,216	209,461	344,353
Governmental securities (Level 1)	348,228	348,411	424,159	424,113
	<u>593,816</u>	<u>726,627</u>	<u>633,620</u>	<u>768,466</u>
Endowment and Specific Purpose Funds:				
Equity securities (Level 1)	5,607,409	6,629,397	5,947,188	7,341,409
Governmental securities (Level 1)	1,700,451	1,673,818	1,575,221	1,576,003
	<u>7,307,860</u>	<u>8,303,215</u>	<u>7,522,409</u>	<u>8,917,412</u>
Total investments	<u>\$ 7,992,436</u>	<u>\$ 9,121,015</u>	<u>\$ 8,246,789</u>	<u>\$ 9,775,599</u>

Levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

Level 1 - quoted prices in an active market for identical assets.

Level 2 - quoted prices for similar assets and market-corroborated inputs.

Level 3 - the organization's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

All investments held by Pilgrim Place are Level 1 - quoted prices in an active market for identical assets, with the exception of the donated land. The fair value of land, measured at Level 3, is the 2004 appraised value at the time received. Pilgrim Place intends to hold the land as a long-term investment and has not obtained a more recent appraisal.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT:

A summary of property and equipment at December 31, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Non-depreciable:		
Land	\$ 1,529,334	\$ 1,529,334
Museum collection	489,796	479,018
Construction in progress	284,343	168,814
Total non-depreciable	<u>2,303,473</u>	<u>2,177,166</u>
Depreciable:		
Permanent grounds improvement	1,112,635	1,095,065
Housing and central facilities	64,487,746	63,076,223
Equipment	5,521,700	5,030,211
Total depreciable	<u>71,122,081</u>	<u>69,201,499</u>
Less accumulated depreciation	<u>(29,722,079)</u>	<u>(27,641,633)</u>
Total depreciable, net	<u>41,400,002</u>	<u>41,559,866</u>
Property, plant and equipment, net	<u>\$ 43,703,475</u>	<u>\$ 43,737,032</u>

No capitalized interest was included in construction in progress for 2015 and 2014. Depreciation expense for the years ended December 31, 2015 and 2014 was \$2,080,446 and \$2,007,472.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

NOTE 6 - INTER-FUND BORROWING:

Pitzer Expansion Project:

The General Fund borrowed \$1,000,000, during 1998, from the Unrestricted Endowment Fund to fund the Pitzer Expansion Project. The note was originally payable over a 25-year term and bears interest at a variable rate based upon a five-year treasury note yield as of each July 31st. Interest is due quarterly beginning September 1999 upon completion of the project. No principal payments have been made on this note since 2009. The Board of Directors is in the process of evaluating the pay off and repayment of this note. The outstanding balance at December 31, 2015 and 2014 is \$640,000.

Interest paid to the Endowment Fund for both the years ended December 31, 2015 and 2014 totaled \$1,178 and \$4,713, respectively.

Health Service Center Project:

The General Fund borrowed \$1,750,000 during 2004 and \$1,550,000 during 2006 from the Undesignated Endowment Fund to fund the Health Service Center Project. The note was originally payable over a 10-year term and bears interest at a variable rate starting at a rate of 4.0% based upon a five-year treasury note yield. Interest is due quarterly beginning March 2008 upon the completion of the project. No principal payments have been made on this note since 2009. The Board of Directors is in the process of evaluating the pay off and repayment of this note. The outstanding balance at December 31, 2015 and 2014 is \$2,805,000.

Interest paid to the Endowment Fund for both the years ended December 31, 2015 and 2014 totaled \$30,964 and \$20,503, respectively.

Inter-fund Borrowing Elimination:

Inter-fund borrowing transactions are not reflected in the financial statements as U.S. generally accepted accounting principles require inter-fund activity to be eliminated. For both 2015 and 2014, outstanding balances on inter-fund borrowing totaling \$3,445,000 were eliminated. However, reported in the statements of operations and statements of changes in net assets are the transactions that occur between unrestricted and temporarily restricted net assets. The allocation of interest expense on restricted endowment borrowing is recognized as an expense for the assisted living and skilled nursing program services reported on the schedule of functional expenses, while investment income is recognized in unrestricted and temporarily restricted activities.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 7 - PROMISSORY NOTES:

On December 16, 2015, Pilgrim Place issued unsecured promissory notes, as allowed by the Commissioner of Corporations of the State of California, to its residents and supporters to finance structural upgrades to Porter Hall. The notes pay interest at a rate of 3.0% per annum, interest is due annually beginning January 2017. The principal is due on or before January 15, 2019. The outstanding balance at December 31, 2015 is \$460,000.

NOTE 8 - LINE OF CREDIT:

Pilgrim Place maintains an agreement for a line of credit with a maximum available principal amount of \$700,000 during the fiscal years ended December 31, 2015 and 2014. The current agreement matures on July 1, 2017. It is subject to further extension at the agreement of the parties. The line of credit is secured with collateral of personal assets owned by Pilgrim Place. Interest is payable monthly on outstanding amounts at the bank's base rate plus 0.5%. The outstanding balance at December 31, 2015 and 2014 was \$500,000. The interest rate at December 31, 2015 and 2014 was 4.25%.

NOTE 9 - PENSION PLAN:

Pilgrim Place sponsors a Section 403(b) Retirement Savings Plan (the Plan), a defined-contribution plan, for its employees. Full-time employees who are at least 18 years of age are eligible to participate. Employees may contribute up to a maximum of \$17,500 of their gross pay as a salary deferral based on age restrictions. Pilgrim Place matches 62.5% of the employee's contribution, not to exceed 3.75% of the employee's compensation. Amounts incurred by Pilgrim Place for matching contributions totaled \$131,556 and \$123,468 for the years ended December 31, 2015 and 2014, respectively. Pilgrim Place has no liability for the administration or payment of benefits of the plan and, accordingly, the present value of the related vested benefits is not reflected in these financial statements.

The Plan was administered by American United Life Insurance Company through September 2014. Beginning in November 2014, the plan is administered by The Standard. In accordance with Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 a limited scope audit is performed annually. Separate financial statements for the Plan can be obtained through Pilgrim Place.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 10 - INSURED SENIOR LIVING REVENUE BONDS:

In August 2009, California Municipal Finance Authority (the Authority) issued \$25,730,000 of tax-exempt and \$770,000 taxable Insured Senior Living Revenue Bonds (Series 2009A and 2009B, respectively). The Authority then loaned the proceeds to Pilgrim Place pursuant to a loan agreement dated August 1, 2009. The Authority, in the case of the bonds, is merely a conduit for payment, in that the bonds do not constitute a general debt, liability, or obligation of the Authority, but are instead secured by and payable from payments of Pilgrim Place under the loan agreement.

Subject to the terms of the loan agreement and the regulatory agreement, the gross revenues of Pilgrim Place are pledged to the payment of the loan repayments and to secure the payments of the principal or the interest on the bonds and parity debt. Pilgrim Place has complied with the various covenants, conditions and restrictions required by the regulatory agreement.

Terms of the loan agreement require Pilgrim Place to make annual payments into a sinking fund that accumulates funds for payment of the bonds upon maturity. The bonds are payable beginning May 15, 2013, with annual payments scheduled through May 15, 2039. Interest rates range from 5.0% to 6.125%. A Reserve Fund was established to make any principal and interest payments if a shortage occurs in the required payments. The Reserve Fund balance at December 31, 2015 and 2014 was \$1,993,314 and \$2,006,877, respectively.

Interest paid during the construction phase, less associated interest income on bond proceeds was capitalized.

The maturity amount is less the discount on bonds which is amortized over the life of the liability. The bonds included a discount of \$69,525. At December 31, 2015 and 2014, the unamortized bond discount was \$54,857 and \$57,173, respectively.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 10 - INSURED SENIOR LIVING REVENUE BONDS: (continued)

Associated issuance costs are recorded as capitalized fees on the statements of financial position. The bonds included issuance costs of \$2,422,502. This amount is amortized using the straight-line method. Amortization recognized during the fiscal years ended December 31, 2015 and December 31, 2014 was \$80,050.

Required payments into the sinking fund are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2016	\$ 520,000	\$ 1,473,287	\$ 1,993,287
2017	545,000	1,446,663	1,991,663
2018	570,000	1,418,787	1,988,787
2019	600,000	1,389,537	1,989,537
2020	630,000	1,357,213	1,987,213
Thereafter	<u>22,225,000</u>	<u>15,178,500</u>	<u>37,403,500</u>
Total	25,090,000	<u>\$ 22,263,987</u>	<u>\$ 47,353,987</u>
Discount on bonds	<u>(54,857)</u>		
Total bonds payable	<u>\$ 25,035,143</u>		

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 11 - TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2015</u>	<u>2014</u>
Residents' Health and Support Program - resident supplements	\$ 250,558	\$ 168,755
Resident supplements	3,245,538	3,868,116
Resident account - Festival	23,664	23,664
Burton Piano Fund	(6,759)	(4,807)
Fixed asset acquisition	23,260	23,260
Split Interest Agreements:		
Annuities	(20,445)	(5,180)
Charitable remainder trust	65,518	65,518
Petterson Museum Friends - Petterson Museum of Intercultural Art	<u>161,756</u>	<u>148,405</u>
Total	<u>\$3,743,090</u>	<u>\$4,287,731</u>

Permanently restricted net assets are for the following purposes:

	<u>2015</u>	<u>2014</u>
Undesignated endowment	\$2,300,291	\$2,251,118
Resident supplements	2,318,566	2,328,407
Health Services Center support	774,751	774,751
Independent rental supplements	291,975	291,975
General operations	73,263	73,263
Split Interest Agreements - Annuities	139,363	117,837
Petterson Museum of Intercultural Art	<u>31,785</u>	<u>31,785</u>
Totals	<u>\$5,929,994</u>	<u>\$5,869,136</u>

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 12 - ENDOWMENT:

Pilgrim Place's endowment consists of approximately 10 individual endowments established for its charitable purpose. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Pilgrim Place 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 of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Pilgrim Place classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. As such, the Board has adopted a policy which treats realized and unrealized gains and losses as income on all Endowment Funds.

In making a determination to appropriate or accumulate donor-restricted endowment funds, the Board considers the long-term needs of Pilgrim Place in carrying out its charitable purpose, its present and anticipated financial requirements, its expected total return on investments, general economic conditions, as well as other factors.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

NOTE 12 - ENDOWMENT: (continued)

Return Objectives, Risk Parameters and Strategies

Pilgrim Place has adopted an investment policy which maximizes return at an appropriate level of risk within the constraints of general economic conditions. The primary investment objective of the portfolio is to earn a total return over time, sufficient to meet the budgetary need for current income plus preserve the real (inflation adjusted) purchasing power of the endowment. The endowment portfolio is diversified both by asset class (equities and fixed-income securities) and within asset classes (within equities by economic sector, geographic area, industry, quality, and size). The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the portfolio's aggregate results.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Pilgrim Place has a policy of appropriating for distribution each year 5.5% from the General Endowment and up to 5.5% as needed from the Davis Health Endowment of the average portfolio market value for the preceding three years.

Endowment Net Asset Composition by Type of Fund as of December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$	\$ 3,479,765	\$ 2,985,630	\$ 6,465,395
Endowment funds-borrowed	640,000		2,805,000	3,445,000
Board-designated endowment funds	<u>2,034,793</u>			<u>2,034,793</u>
	<u>\$ 2,674,793</u>	<u>\$ 3,479,765</u>	<u>\$ 5,790,630</u>	<u>\$ 11,945,188</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$	\$ 4,023,560	\$ 2,946,298	\$ 6,969,858
Donor-restricted endowment funds-borrowed	640,000		2,805,000	3,445,000
Board-designated endowment funds	<u>2,041,273</u>			<u>2,041,273</u>
	<u>\$ 2,681,273</u>	<u>\$ 4,023,560</u>	<u>\$ 5,751,298</u>	<u>\$ 12,456,131</u>

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

NOTE 12 - ENDOWMENT: (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,681,273	\$ 4,023,560	\$ 5,751,298	\$ 12,456,131
Investment return:				
Internal loan investment income	1,178	30,964		32,142
Investment income, net of expenses	(258)	178,738		178,480
Net depreciation (realized and unrealized)	(7,400)	(256,301)		(263,701)
Total investment return	(6,480)	(46,599)	-	(53,079)
Other changes:				
Contributions			1,367	1,367
Matured gift annuities			37,965	37,965
Distributions		(497,196)		(497,196)
Total other changes	-	(497,196)	39,332	(457,864)
Endowment net assets, end of year	\$ 2,674,793	\$ 3,479,765	\$ 5,790,630	\$ 11,945,188

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

NOTE 12 - ENDOWMENT: (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,628,302	\$ 3,817,421	\$ 5,730,057	\$ 12,175,780
Investment return:				
Internal loan investment income	4,713	20,503		25,216
Investment income, net of expenses	3,192	17,979		21,171
Net appreciation (realized and unrealized)	<u>184,048</u>	<u>213,868</u>		<u>397,916</u>
Total investment return	<u>191,953</u>	<u>252,350</u>	-	<u>444,303</u>
Other changes:				
Contributions	44,721		2,087	46,808
Matured gift annuities			19,154	19,154
Transfers	(183,703)	312,666		128,963
Distributions		<u>(358,877)</u>		<u>(358,877)</u>
Total other changes	<u>(138,982)</u>	<u>(46,211)</u>	<u>21,241</u>	<u>(163,952)</u>
Endowment net assets, end of year	<u>\$ 2,681,273</u>	<u>\$ 4,023,560</u>	<u>\$ 5,751,298</u>	<u>\$ 12,456,131</u>

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 13 - PATIENT SERVICE REVENUE:

Patient service revenue at December 31, 2015 and 2014 is as follows:

	2015	2014
Skilled nursing	\$ 7,580,082	\$ 7,029,740
Less contractual provisions	(1,370,431)	(1,025,170)
Skilled nursing, net	<u>\$ 6,209,651</u>	<u>\$ 6,004,570</u>

During 2015 and 2014, there were no bad debt expenses related to skilled nursing.

NOTE 14 - RELATED PARTY:

Beginning in fiscal year 2003, Pilgrim Place purchased workers' compensation insurance through a group self-insurance program in which Pilgrim Place is a member, and which is regulated by the California Department of Industrial Relations. A Pilgrim Place officer is an officer of the group self-insurance program and is a member of its Board of Directors. Workers' compensation insurance purchased during the years ended December 31, 2015 and 2014 totaled \$814,384 and \$786,263, respectively.

NOTE 15 - REDEVELOPMENT PLAN OBLIGATION (AB 1169 Disclosure):

Master Plan

The bonded debt issuance of \$26.5 million was primarily used to complete Pilgrim Place's master plan projects. The master plan projects were designed to meet the needs of the organization by providing additional housing and facilities for residents, which is consistent with the organization's tax exempt status. As part of the plan, Pilgrim Place applied for CCRC licensure for its existing campus and for a proposed campus expansion. The expansion project added independent living units, assisted living units, administrative offices and other campus improvements. Construction began in 2009 and was substantially completed by May 2011. Pilgrim Place used a combination of internal cash and tax-exempt and taxable debt to fund project costs.

As of December 31, 2012, approximately \$24.5 million had been expended to retire outstanding debt of \$2.8 million, to fund prior construction costs of \$15.6 million, to pay bond issuance costs of \$2.6 million and to make debt service payments of \$3.5 million; thereby leaving a balance of \$2.0 million for the final debt service payment.

PILGRIM PLACE IN CLAREMONT

NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

NOTE 15 - REDEVELOPMENT PLAN OBLIGATION (AB 1169 Disclosure): (continued)

Master Plan (continued)

During fiscal year ended December 31, 2015, \$495 thousand in principal and \$1.5 million in interest payments were made. During fiscal year ended December 31, 2014 \$470 thousand in principal and \$1.5 million in interest payments were made.

Porter Hall

As discussed in Note 7, the promissory note debt issuance of \$460 thousand was obtained for the Porter Hall renovation project. Construction on this project began in 2016 and will be substantially completed by 2017.

As of December 31, 2015, none of the proceeds had been used for construction costs and no principal or interest payments have been paid.

SUPPLEMENTAL INFORMATION

PILGRIM PLACE IN CLAREMONT

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

(with comparative totals for the year ended December 31, 2014)

	PROGRAM SERVICES										SUPPORTING SERVICES			Total Expenses 2015	Total Expenses 2014
	Independent Living	Assisted Living	Skilled Nursing	Housekeeping,		Resident Activities	Total Program Services	General Administration	Plant		Total Supporting Services				
				Laundry & Dietary					Operations & Maintenance	Fundraising					
Salaries and wages	\$ 145,059	\$ 1,059,578	\$ 2,544,043	\$ 1,365,126	\$ -	\$ 5,113,806	\$ 942,237	\$ 942,203	\$ 154,280	\$ 2,038,720	\$ 7,152,526	\$ 7,178,629			
Pension	3,200	18,779	38,968	20,356	-	81,303	24,120	21,136	4,997	50,253	131,556	123,468			
Employee benefits	28,688	332,054	500,783	386,472	-	1,247,997	177,881	220,731	8,755	407,367	1,655,364	1,668,683			
Payroll taxes	10,459	96,630	206,893	112,868	-	426,850	56,823	77,243	11,707	145,773	572,623	573,215			
Accounting fees	-	-	4,050	-	-	4,050	120,183	-	-	120,183	124,233	70,126			
Beauty shop	-	-	17,138	-	-	17,138	18,725	186	96	-	17,138	18,079			
Conferences and meetings	-	-	9,771	-	-	9,771	19,007	-	-	19,007	28,778	32,842			
Contract services and food	-	10,226	24,676	1,383,498	-	1,383,498	115,985	2,941	6,850	125,776	1,383,498	1,352,741			
Dues, licenses and taxes	-	-	-	4,131	-	4,131	4,840	-	-	4,840	164,809	133,602			
Employment advertising	-	-	-	-	-	-	26,478	7,225	-	33,703	4,840	5,491			
Equipment rental	882	15,475	14,195	5,141	-	35,693	26,478	7,225	-	33,703	69,396	62,940			
Insurance	186,015	32,316	6,306	6,306	-	224,637	253	31,528	-	31,781	256,418	248,406			
Legal fees	-	-	-	-	-	-	6,688	-	-	6,688	12,185	12,185			
Loan costs, amortization	-	-	-	-	-	-	80,050	-	-	80,050	80,050	80,050			
Medical supplies and equipment	-	-	71,582	-	-	71,582	7,309	-	-	7,309	71,582	53,266			
Postage	120	-	1,070	-	-	1,190	7,309	-	-	15,054	16,244	17,204			
Printing	-	1,578	(9,814)	6,192	-	(2,048)	1,841	(2,822)	7,745	15,054	16,244	20,157			
Professional services	-	-	985,634	-	-	985,634	90,049	-	35,848	34,867	32,823	878,907			
Public relations	-	7,291	27,859	-	-	35,150	12,192	-	37,406	49,598	1,075,683	84,748			
Purchased services	64,238	44,082	181,893	54,116	-	344,329	86,140	345,596	56,692	488,428	832,757	998,467			
Repairs and maintenance	94,791	26,310	68,500	35,608	-	225,209	6,641	32,115	-	38,756	263,965	238,714			
Resident activities	-	-	-	-	32,362	32,362	-	-	-	-	32,362	26,221			
Staff development	-	2,131	4,252	165	-	6,548	4,295	-	184	4,479	11,027	15,733			
Supplies and equipment	20,077	22,918	137,001	248,125	4,068	432,189	2,130	41,535	18,542	62,207	494,396	431,190			
Telephone	5,596	6,656	22,324	6,342	-	40,918	26,652	8,912	-	35,564	76,482	87,117			
Travel	740	-	-	-	-	740	4,408	3,845	122	8,375	9,115	7,969			
Utilities	133,659	100,136	245,715	49,268	-	528,778	17,317	66,538	3,940	87,795	616,573	682,285			
Miscellaneous expenses	721	330	31,174	442	3,203	35,870	7,909	11,030	58,302	77,241	113,111	120,946			
Total expense before depreciation and interest	694,245	1,776,490	5,127,707	3,684,156	39,633	11,322,231	1,841,146	1,809,942	405,466	4,056,554	15,378,785	15,208,199			
Interest - external	-	1,178	50,495	-	-	51,673	1,538,927	-	-	1,538,927	1,538,927	1,538,160			
Interest - internal	-	1,178	50,495	-	-	51,673	1,538,927	-	-	1,538,927	1,538,927	1,538,160			
Total interest	-	2,356	100,990	-	-	103,346	3,077,854	-	-	3,077,854	3,077,854	3,076,320			
Depreciation	1,707,511	-	410,906	-	-	2,118,417	-	(37,971)	-	(37,971)	2,080,446	2,007,472			
Total expense	\$ 2,401,756	\$ 1,777,668	\$ 5,589,108	\$ 3,684,156	\$ 39,633	\$ 13,492,321	\$ 3,380,073	\$ 1,771,971	\$ 405,466	\$ 5,557,510	\$ 19,049,831	\$ 18,766,716			

See Independent Auditors' Report

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APR 29 2016

CONTINUING CARE
CONTRACTS BRANCH

PILGRIM PLACE IN CLAREMONT
STATE OF CALIFORNIA
CONTINUING CARE RESERVE REPORT

For the Fiscal Year Ended December 31, 2015
and
Independent Auditor's Report



RECEIVED
APR 29 2016

INDEPENDENT AUDITOR'S REPORT

CONTINUING CARE
CONTRACTS BRANCH

Board of Trustees
Pilgrim Place in Claremont

We have audited the accompanying continuing care reserve report of Pilgrim Place in Claremont (Pilgrim Place), a California Not-For-Profit Corporation, as of and for the year ended December 31, 2015.

Management's Responsibility for the Continuing Care Reserve Report

Management is responsible for the preparation and fair presentation of the continuing care reserve report in accordance with the reporting provisions 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 continuing care reserve report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the continuing care reserve report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the continuing care reserve report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Pilgrim Place's preparation and fair presentation of the continuing care reserve report 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 Pilgrim Place'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 continuing care reserve report.

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, such continuing care reserve report Forms 5-1 through 5-5 present fairly, in all material respects, the liquid reserve requirements of Pilgrim Place at December 31, 2015, in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

Basis of Accounting

The continuing care reserve report is prepared for the purpose of complying with the California Health and Safety Code Section 1792 and is not intended to be a complete presentation of Pilgrim Place's assets, liabilities, revenues and expenses and as such is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Restriction of Use

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

Vicenti, Lloyd & Stutzman, LLP

VICENTI, LLOYD & STUTZMAN LLP

Glendora, California

April 26, 2016

**FORM 1-1
RESIDENT POPULATION**

<u>LINE</u>	<u>CONTINUING CARE RESIDENTS</u>	<u>TOTAL</u>
1	NUMBER AT BEGINNING OF FISCAL YEAR	356
2	NUMBER AT END OF FISCAL YEAR	352
3	TOTAL LINES 1 AND 2	708
4	MULTIPLY LINE 3 BY ".50" AND ENTER RESULT ON LINE 5	x.50
5	MEAN NUMBER OF CONTINUING CARE RESIDENTS	354
ALL RESIDENTS		
6	NUMBER AT BEGINNING OF FISCAL YEAR	410
7	NUMBER AT END OF FISCAL YEAR	393
8	TOTAL LINES 6 AND 7	803
9	MULTIPLY LINE 8 BY ".50" AND ENTER RESULT ON LINE 10	x.50
10	MEAN NUMBER OF ALL RESIDENTS	402
11	DIVIDE LINE 5 BY LINE 10 AND ENTER THE RESULT	0.88

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>LINE</u>		<u>TOTAL</u>
1	TOTAL OPERATING EXPENSES	19,049,831
a	DEPRECIATION	2,080,446
b	DEBT SERVICE(INTEREST ONLY)	1,538,160
2	SUBTOTAL (add Line 1a and 1b)	3,618,606
3	SUBTRACT LINE 2 FROM LINE 1 AND ENTER RESULT	15,431,225
4	PERCENTAGE ALLOCATED TO CONTINUING CARE RESIDENT (LINE11)	0.88
5	TOTAL OPERATING EXPENSE OF CONTINUING CARE RESIDENTS	
	MULTIPLY LINE 3 BY LINE 4	13,579,478
6	TOTAL AMOUNT DUE (LINE 5 BY .001)	13,579

PROVIDER: PILGRIM PLACE IN CLAREMONT

COMMUNITY: SAME AS ABOVE

**FORM 5-1
LONG - TERM DEBT INCURRED
IN A PRIOR FISCAL YEAR
(INCLUDING BALLOON DEBT)**

Long-Term Debt Obligation	(a)	(b)	(c)	(d)	(e)
	Date Incurred	Principal Paid During Fiscal Year	Interest Paid During Fiscal Year	Credit Enhancement Premiums Paid	Total Paid (columns (b) + (c) + (d))
1	Various	0	51,673	0	51,673
2	8/13/2009	495,000	1,538,160	0	2,033,160
3					
4					
5					
6					
7					
8					
	TOTAL				2,084,833

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

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

Provider: PILGRIM PLACE IN CLAREMONT

form 5-1

Comments from Provider: Column c, line 1 consists of interest payments on internal debt still outstanding at 12/31/15. Principle payments on internal debt are not required; however, no payments have been budgeted for 2016 due to budget constraints.

**FORM 5-2
LONG-TERM DEBT INCURRED
DURING FISCAL YEAR
(INCLUDING BALLOON DEBT)**

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Total Interest Paid During Fiscal Year	Amount of Most Recent payment on the Debt	Number of Payments over next 12 months	Reserve Requirement (see instruction 5) (columns (c) x (d))
1	12/16/15	-	-	-	
2					
3					
4					
5					
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: PILGRIM PLACE IN CLAREMONT

Comments from Provider: On December 16, 2015, Pilgrim Place issued unsecured promissory notes, as allowed by the Commissioner of Corporations of the State of California, to its residents and supporters to finance structural upgrades to Porter Hall. The notes pay interest at a rate of 3.0% per annum, interest is due annually beginning January 2017. The principal is due on or before January 15, 2019. The outstanding balance at December 31, 2015 is \$460,000.

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

LINE		TOTAL
1	Total from form 5-1 bottom of Column (e)	2,084,833
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:	2,084,833

PROVIDER: PILGRIM PLACE IN CLAREMONT

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

LINE	AMOUNT	TOTAL
1	TOTAL OPERATING EXPENSE FROM FINANCIAL STATEMENT	<u>19,049,831</u>
2	DEDUCTIONS	
a	INTEREST PAID ON LONG-TERM DEBT	<u>1,589,833</u>
b	CREDIT ENHANCEMENT PREMIUMS PAID FOR LONG-TERM DEBT	<u>-</u>
c	DEPRECIATION	<u>2,080,446</u>
d	AMORTIZATION	<u>80,050</u>
e	REVENUE RECEIVED DURING FISCAL YEAR FOR SERVICES TO RESIDENTS WHO DID NOT HAVE A CONTINUING CARE CONTRACT	
f	EXTRAORDINARY EXPENSES APPROVED BY THE DEPARTMENT	<u>4,839,412</u> {See attached schedule
3	TOTAL DEDUCTIONS	<u>8,589,741</u>
4	NET OPERATING EXPENSES	<u>10,460,090</u>
5	DIVIDE LINE 4 BY 365 AND ENTER THE RESULT	
6	MULTIPLY LINE 5 BY 75 AND ENTER THE RESULT	<u>28,658</u>
	THIS IS THE PROVIDER'S OPERATING EXPENSE RESERVE AMT	<u><u>2,149,350</u></u>

PROVIDER: PILGRIM PLACE IN CLAREMONT

COMMUNITY: SAME AS ABOVE

**PILGRIM PLACE HEALTH SRVS CTR
REVENUE ACCOUNTS
2015**

PAYOR	COMMUNITY	PILGRIM	TOTAL
IVHP	\$1,358,090	\$101,428	\$1,459,518
MEDI-CAL	\$964,753	\$217,827	\$1,182,580
MEDICARE	\$784,590	\$20,925	\$805,515
PRIVATE	\$1,731,979	\$1,030,059	\$2,762,038
TOTAL	\$4,839,412	\$1,370,239	\$6,209,651

Note: Total revenue of \$6,209,651 agrees with skilled nursing revenue on page 4 of the 2015 audited financial statements.

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

**PROVIDER NAME: PILGRIM PLACE IN CLAREMONT
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:

DEBT SERVICE RESERVE AMOUNT	2,084,833
OPERATING EXPENSE RESERVE AMOUNT	2,149,350
TOTAL LIQUID RESERVE AMOUNT	4,234,183

QUALIFYING ASSETS SUFFICIENT TO FULFILL THE ABOVE REQUIREMENTS ARE HELD AS FOLLOWS:

<u>QUALIFYING ASSETS DESCRIPTION</u>	<u>AMOUNT (MARKET VALUE AT END OF YEAR)</u>	
	<u>DEBT SERVICE RESERVE</u>	<u>OPERATING RESERVE</u>
CASH AND CASH EQUIVALENTS	6,037,069	6,037,069
INVESTMENT SECURITIES		
EQUITY SECURITIES	2,371,353	2,371,353
UNUSED/AVAIL. LINES OF CREDIT	200,000	200,000
UNUSED/AVAIL. LETTERS OF CREDIT		-
DEBT SERVICE RESERVE	1,993,314	
OTHER: (DESCRIBE)		
TOTAL AMOUNT OF QUALIFYING ASSETS LISTED FOR RESERVE OBLIGATION:	11 <u>10,601,736</u>	12 <u>8,608,422</u>
RESERVE OBLIGATION AMOUNT	13 <u>2,084,833</u>	14 <u>2,149,350</u>
SURPLUS / (DEFICIENCY)	15 <u>8,516,903</u>	16 <u>6,459,072</u>

SIGNATURE:



AUTHORIZED REPRESENTATIVE

DATE 4/28/16

Chief Financial Officer

TITLE

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

Total Qualifying Assets as Filed:	<u>Debt Service</u>	<u>Operating</u>	Description:
Cash and Cash Equivalents	6,037,069	6,037,069	Unrestricted cash and money market funds per statement of financial position.
Investment Securities	-	-	
Equity Securities	2,371,353	2,371,353	Unrestricted equity investments per statement of financial position.
Unused Line of Credit	200,000	200,000	Unused operational line of credit.
Land	-	-	
Debt Service Reserve	1,993,314	-	Debt service in trust account per statement of financial position.
Total Qualifying Assets as Filed	10,601,736	8,608,422	
Debt Service Reserve			
Reservations and Designations:	2,084,833	2,149,350	
Remaining Liquid Reserves	8,516,903	6,459,072	

Per Capital Cost of Operations

Operating Expenses (Form 5-4, line #1)	19,049,831
Mean # of CCRC Residents (Form 1-1, line #10)	402
Per Capita Cost of Operations	47,388

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$1,620 - \$3770</u>	<u>\$2,751 - \$5,116</u>	<u>\$8,486 - \$14,935</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4%</u>	<u>4%</u>	<u>3%</u>

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

[3] Indicate the date the fee increase was implemented: January 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: Pilgrim Place In Claremont

COMMUNITY: Same As Above

5. Monthly service fees are increased based on projected increases in costs for the subsequent year. In 2015, the percentage increases were 4% for IL, 4% for AL, and 3% for SNF.

PROVIDER NAME:

FACILITY: PILGRIM PLACE IN CLAREMONT

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS:				
OPERATING INCOME	13,743,953	14,814,107	16,775,659	16,189,462
(EXCL AMORTIZATION OF ENTRANCE FEE INCOME)	13,743,953	14,814,107	16,775,659	16,189,462
LESS OPERATING EXPENSES	13,992,762	14,250,162	15,128,149	15,299,494
(INCL DEPRECIATION, AMORTIZATION, & INTEREST)				
NET INCOME FROM OPERATIONS	(248,809)	563,945	1,647,510	889,968
LESS INTEREST EXPENSE	(1,581,372)	(1,585,314)	(1,551,045)	(1,589,833)
PLUS CONTRIBUTIONS	1,666,853	824,286	419,186	623,570
PLUS NON-OPERATING INCOME (EXPENSES)	548,752	729,956	381,615	442,652
(INCLUDING EXTRAORDINARY ITEMS)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>385,424</u>	<u>532,873</u>	<u>897,266</u>	<u>366,357</u>
NET CASH FLOW FROM ENTRANCE FEES	<u>2,816,702</u>	<u>2,844,787</u>	<u>1,769,864</u>	<u>1,818,445</u>
(TOTAL DEPOSITS LESS REFUNDS)				

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INT RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
State of California Insured Senior Living Bonds	\$25,035,143	6%	August, 2009	2039	30 years

FINANCIAL RATIOS:

	2014 CCAC 50%	2013	2014	2015
DEBT TO ASSET RATIO	0.39	0.40	0.38	0.38
OPERATING RATIO	99%	95%	99%	104%
DEBT SERVICE COVERAGE RATIO	2.62	2.25	1.94	2.23
DAYS CASH-ON-HAND RATIO	317	195	190	182

HISTORICAL MONTHLY SERVICE FEES

	2012		4%		2013		4%		2014		4%		2015	
		%		%		%		%		%		%		%
STUDIO														
ONE BEDROOM	1,170	4.96	1,228	3.99	1,277	3.99	1,328							
TWO BEDROOM	1,670	4.97	1,753	3.99	1,823	4.00	1,896							
COTTAGE/HOUSE														
ASSISTED LIVING	3,505	4.99	3,680	3.99	3,827	4.00	3,980							
SKILLED NURSING	7,872	3.00	8,108	3.00	8,351	3.01	8,602							
SPECIAL CARE														

COMMENTS FROM PROVIDER:

HISTORICAL MONTHLY FEE IS THE AVERAGE FEE CHARGED TO EXISTING RESIDENTS.

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

Date Prepared: 04/24/2016

FACILITY NAME: Pilgrim Place In Claremont
 ADDRESS: 625 Mayflower Road ZIP CODE: 91711 PHONE: 909-399-5500
 PROVIDER NAME: Same As Above FACILITY OPERATOR: Same As Above
 RELATED FACILITIES: None RELIGIOUS AFFILIATION: None
 YEAR OPENED: 1915 # OF ACRES: 32 SINGLE MULTI- MILES TO SHOPPING CTR: 1
 STORY STORY OTHER: Both MILES TO HOSPITAL: 2

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: _____	ASSISTED LIVING: <u>57</u>
APARTMENTS — 1 BDRM: <u>47</u>	SKILLED NURSING: <u>62</u>
APARTMENTS — 2 BDRM: <u>101</u>	SPECIAL CARE: _____
COTTAGES/HOUSES: <u>37</u>	DESCRIPTION: > _____
RLU OCCUPANCY (%) AT YEAR END: <u>98</u>	> _____

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

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

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

RANGE OF ENTRANCE FEES: \$ 112,470 - \$ 661,841 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Access to SNF with discount, clinic, enhanced care, and emergency response

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: Religious or Non-Profit OTHER: _____

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Five members of the twenty member board of directors
 > are residents with full participation and voting rights

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

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	13,743,953	14,814,107	16,775,659	16,189,462
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	13,992,762	14,250,162	15,128,149	15,299,494
NET INCOME FROM OPERATIONS	(248,809)	563,945	1,647,510	889,968
LESS INTEREST EXPENSE	(1,581,372)	(1,585,314)	(1,551,045)	(1,589,833)
PLUS CONTRIBUTIONS	1,666,853	824,286	419,186	623,570
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	548,752	729,956	381,615	442,652
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	385,424	532,873	897,266	366,357
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	2,816,702	2,844,787	1,769,864	1,818,445

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
State of California Insured Senior Living Bonds	25,035,143	6%	August 2009	2039	30 years

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile (optional)			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	
DEBT TO ASSET RATIO	0.39	0.40	0.38	0.38
OPERATING RATIO	99%	95%	99%	104%
DEBT SERVICE COVERAGE RATIO	2.62	2.25	1.94	2.23
DAYS CASH ON HAND RATIO	317	195	190	182

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>
STUDIO							
ONE BEDROOM	1,170	4.96	1,228	3.99	1,277	3.99	1,328
TWO BEDROOM	1,670	4.97	1,753	3.99	1,823	4.00	1,896
COTTAGE/HOUSE							
ASSISTED LIVING	3,505	4.99	3,680	3.99	3,827	4.00	3,980
SKILLED NURSING	7,872	3.00	8,108	3.00	8,351	3.01	8,602
SPECIAL CARE							

COMMENTS FROM PROVIDER: > Historical monthly fee is the average fee charged to existing residents

> _____
> _____

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

Key Indicators Report Memo

Pilgrim Place became a CCRC for the first time in 2009 despite the fact that we have been in existence since 1915. In addition to becoming a CCRC, we closed on a \$26 million dollar tax-exempt bond issue in 2009 and have now completed a major campus building and renovation project. We have added new IL and AL units and have renovated several other central facilities buildings, for services such as food service and resident activities.

Operationally, we have always had high occupancy levels, with about 97% at IL and AL and about 82% at our SNF. These are projected to continue at similar levels in the future with our new living units.

Being a CCRC with the ability to take in entrance fee revenue will enable us to improve profitability, liquidity, and capital structure indicators compared to prior levels. We will have more debt going forward due to the bond issue,

Being an older campus our average age of facility is higher but, as part of our long-range financial plan, we will be reinvesting significant amounts in capital expenditures to maintain our campus going forward.

Due to the time constraints of hiring of a new CFO on February 29, 2016, the Key Indicators as defined by this report are forecasted to be flat. New methodology surrounding forecasting will be implemented in 2016, thus it is expected that future years' reports will have revised and updated forecast results.