FISCAL YEAR ENDED:
12/31/13

ANNUAL REPORT CHECKLIST

RECEIVED
APR 30 2014
CONTINUING CARE CONTRACTS BRANCH

PROVIDER(S): O'Connor Woods

CCRC(S): O'Connor Woods

CONTACT PERSON: Scot Sinclair

TELEPHONE NO.: (209) 956.3450 EMAIL: Scot.Sinclair@DignityHealth.org

A complete annual report must consist of <u>*3 copies*</u> of all of the following:

- [x] Annual Report Checklist.
- [x] Annual Provider Fee in the amount of: $ 250
  - [ ] If applicable, late fee in the amount of: $ /
- [x] Certification by the provider's ***Chief Executive Officer*** that:
  - [x] The reports are correct to the best of his/her knowledge.
  - [x] Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - [x] The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- [x] Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- [x] Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- [x] Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- [x] Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for ***each*** community.
- N/A 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.

O'CONNOR WOODS

RECEIVED
APR 30 2014
CONTINUING CARE CONTRACTS BRANCH

April 29, 2014

State of California
Department of Social Services
Continuing Care Contracts Branch
Attention: Alison Nakatomi
744 P Street
Sacramento, CA 95814

Dear Ms. Nakatomi:

My name is Scot Sinclair and I have been the Executive Director of O'Connor Woods since inception in June 1990.

I hereby certify that the annual reports are correct to the best of my knowledge. O'Connor Woods is maintaining any and all required liquid reserves and refund reserves. The CCRC contract being offered is the one approved by the Department of Social Services, Continuing Care Contracts Branch.

In addition to the annual report, we have included a certificate of our fidelity bond insurance, the 2013 audit and our auditor's opinion letter on the audited reserves, the CCRC Disclosure Statement, the CCRC Monthly Service Fee Report and a check in the amount of $250. The Key Indicator Report will follow at the end of May.

If you have any questions, you may contact me at 209.956.3450.

Sincerely,

Scot Sinclair
Executive Director

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	0
[2]	Number at end of fiscal year	0
[3]	Total Lines 1 and 2	0
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	0
	All Residents	
[6]	Number at beginning of fiscal year	382
[7]	Number at end of fiscal year	367
[8]	Total Lines 6 and 7	749
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	374.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.00

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service – interest only)		$26,685,826
[a]	Depreciation	$2,374,871	
[b]	Debt Service (Interest Only)	$2,365,196	
[2]	Subtotal (add Line 1a and 1b)		$4,740,067
[3]	Subtract Line 2 from Line 1 and enter result.		$21,945,759
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		0%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$0
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		~~$0~~ $250

PROVIDER: O'Connor Woods Housing Corporation/Holding Company
COMMUNITY: O'Connor Woods

JPARSONS

ACORD

CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY) 4/29/2014

RECEIVED

CONTINUING CARE CONTRACTS BRANCH

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.

If this certificate is being prepared for a party who has an insurable interest in the property, do not use this form. Use ACORD 27 or ACORD 28.

PRODUCER

Lewis & Assoc. Ins. Brokers, Inc.
700 W. Center Avenue
Visalia, CA 93291

CONTACT NAME: Julia Parsons, CIC, CPIW, CISR
PHONE (A/C, No, Ext): (559) 733-7272
FAX (A/C, No): (559) 733-5612
E-MAIL ADDRESS: Juliap@since1927.com
PRODUCER CUSTOMER ID: OCONWOO-02

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Ironshore Specialty Ins. Co	25445
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

INSURED

O'Connor Woods Holding Company **
3400 Wagner Heights Rd.
Stockton, CA 95209-4885

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

LOCATION OF PREMISES / DESCRIPTION OF PROPERTY (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
Note: 10 days notice of cancellation applies in the event of cancellation for non-payment of premium. Location: 3400 Wagner Heights Rd., Stockton, CA

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	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)		COVERED PROPERTY	LIMITS
	PROPERTY					BUILDING	$
	CAUSES OF LOSS / DEDUCTIBLES					PERSONAL PROPERTY	$
	BASIC / BUILDING					BUSINESS INCOME	$
	BROAD / CONTENTS					EXTRA EXPENSE	$
	SPECIAL					RENTAL VALUE	$
	EARTHQUAKE					BLANKET BUILDING	$
	WIND					BLANKET PERS PROP	$
	FLOOD					BLANKET BLDG & PP	$
							$
							$
	INLAND MARINE	TYPE OF POLICY					$
	CAUSES OF LOSS						$
	NAMED PERILS	POLICY NUMBER					$
							$
	CRIME						$
	TYPE OF POLICY						$
							$
	BOILER & MACHINERY / EQUIPMENT BREAKDOWN						$
							$
A	Fidelity	001368901	06/15/2013	06/15/2014	X	Fidelity Bond	$ 4,800,000
							$

SPECIAL CONDITIONS / OTHER COVERAGES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
Bond deductible is $ 25,000 per claim.
Complete named insured: O'Connor Woods, A CA Corp., O'Connor Woods Housing Corp. & O'Connor Woods Holding Company

CERTIFICATE HOLDER

Department of Social Services
Continuing Care Contracts
744 P Street
Sacramento, CA 95814

CANCELLATION

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

J. Parsons

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

O'Connor Woods Holding Company and Subsidiaries

December 31, 2013 and 2012

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

CONTENTS

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

WWW.MOSSADAMS.COM

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APR 30 2014
CONTINUING CARE
CONTRACTS BRANCH

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
O'Connor Woods Holding Company and Subsidiaries

Report on Financial Statements

We have audited the accompanying consolidated financial statements of O'Connor Woods Holding Company and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of O'Connor Woods Holding Company and Subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of operations and changes in net assets is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the consolidated statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Moss Adams LLP

San Francisco, California
April 18, 2014

CONSOLIDATED FINANCIAL STATEMENTS

O'CONNOR WOODS HOLDING COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2013 and 2012

		2013		2012
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$	3,006,438	$	2,327,775
Investments		7,721,021		6,795,829
Tenant and patient receivables, net of allowance for doubtful accounts of $234,052 and $169,727 in 2013 and 2012, respectively		1,823,568		1,684,104
Other receivables		34,000		103,408
Prepaid expenses		219,772		264,206
Assets limited as to use		1,662,651		1,690,376
Total current assets		14,467,450		12,865,698
ASSETS LIMITED AS TO USE, net of current portion		11,772,202		2,682,988
PROPERTY AND EQUIPMENT, net		49,291,840		44,220,443
OTHER ASSETS				
Investments – board-designated resident assistance fund		1,178,149		1,002,977
Deferred financing costs, net of amortization		3,073,188		1,825,318
Donor receivables		272,179		187,973
Donor restricted cash and investments		752,711		686,342
Deposits		109,717		109,717
Total other assets		5,385,944		3,812,327
Total assets	$	80,917,436	$	63,581,456

See accompanying notes.

	2013	2012
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 2,266,622	$ 681,840
Accrued payroll and payroll related expenses	1,186,713	989,033
Accrued interest expense	1,307,651	400,376
Current portion of long-term debt	367,152	1,301,443
Prepaid rent and tenant deposits	1,059,055	1,022,901
Total current liabilities	6,187,193	4,395,593
NON-CURRENT LIABILITIES		
Other long-term liabilities	1,020,312	-
Long-term debt	52,029,869	37,285,512
Total non-current liabilities	53,050,181	37,285,512
Total liabilities	59,237,374	41,681,105
NET ASSETS		
Unrestricted	19,478,030	20,023,059
Unrestricted – board-designated resident assistance fund	1,178,149	1,002,977
Temporarily restricted	485,620	351,003
Permanently restricted	538,263	523,312
Total net assets	21,680,062	21,900,351
Total liabilities and net assets	$ 80,917,436	$ 63,581,456

See accompanying notes.

O'CONNOR WOODS HOLDING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2013 and 2012

	2013	2012
REVENUE AND OTHER SUPPORT		
Rental revenues	$ 12,425,474	$ 12,063,549
Net patient service revenues	12,371,908	12,388,670
Investment income – limited use	639,079	787,402
Other revenue	1,578,702	1,120,715
Contributions	1,678,098	108,045
Net assets released from restrictions for operations	40,014	14,372
Total revenue	28,733,275	26,482,753
EXPENSES		
Salaries and benefits	15,371,334	14,889,754
Medical and other supplies	2,263,723	2,234,053
Purchased services	2,035,763	2,036,959
Other insurance	346,733	314,474
Utilities	1,137,174	1,053,286
Other operating expenses	577,060	486,551
Depreciation and amortization	2,429,271	2,310,022
Interest	2,369,559	2,455,547
Total expenses	26,530,617	25,780,646
Operating income	2,202,658	702,107
OTHER GAINS		
Investment income	463,619	130,144
Unrealized gain on investments	41,389	263,165
Loss from early retirement of debt	(3,077,523)	-
Net assets released from restriction for purchase of property and equipment	-	55,801
Increase (decrease) in unrestricted net assets	$ (369,857)	$ 1,151,217

See accompanying notes.

	2013	2012
UNRESTRICTED NET ASSETS		
Operating income	$ 2,202,658	$ 702,107
Other gains	505,008	393,309
Loss from early retirement of debt	(3,077,523)	-
Net assets released for purchase of property and equipment	-	55,801
Change in unrestricted net assets	(369,857)	1,151,217
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	166,790	118,282
Investment income (loss)	7,841	(61,179)
Net assets released from restrictions for operations	(40,014)	(14,372)
Net assets released for purchase of property and equipment	-	(55,801)
Change in temporarily restricted net assets	134,617	(13,070)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	14,951	19,113
Change in permanently restricted net assets	14,951	19,113
CHANGE IN NET ASSETS	(220,289)	1,157,260
NET ASSETS, beginning of year	21,900,351	20,743,091
NET ASSETS, end of year	$ 21,680,062	$ 21,900,351

See accompanying notes.

O'CONNOR WOODS HOLDING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from rental revenues	$ 12,398,630	$ 12,028,686
Cash receipts from net patient service revenues	12,295,442	12,380,236
Cash receipts from other revenues	4,032,032	1,634,285
Cash payments for salaries and benefits	(15,173,654)	(14,993,319)
Cash payments for other operating expenses	(3,658,208)	(6,914,722)
Cash payments for interest	(2,698,573)	(2,479,845)
Net cash from operating activities	7,195,669	1,655,321
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(14,801,177)	(4,831,056)
Proceeds from sale of investments	5,035,751	7,682,988
Purchase of property and equipment	(7,446,265)	(2,530,900)
Net cash from investing activities	(17,211,691)	321,032
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of debt	52,495,809	-
Principal payments on long-term debt	(38,522,483)	(1,245,226)
Cash paid for issuance costs	(3,212,272)	-
Change in donor restricted cash and investments	(66,369)	26,500
Net cash from financing activities	10,694,685	(1,218,726)
NET CHANGE IN CASH AND CASH EQUIVALENTS	678,663	757,627
CASH AND CASH EQUIVALENTS, beginning of year	2,327,775	1,570,148
CASH AND CASH EQUIVALENTS, end of year	$ 3,006,438	$ 2,327,775
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Non-cash investing activity during the year for:		
Property, plant, and equipment acquired through capital lease	$ -	$ 71,955

See accompanying notes.

	2013	2012
RECONCILIATION OF NET ASSETS TO CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ (220,289)	$ 1,157,260
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	2,429,271	2,310,022
Loss from early retirement of debt	3,077,523	-
Unrealized gain on investments	(41,389)	(263,165)
Gain on sale of investments	(502,250)	(596,602)
Changes in assets and liabilities:		
Tenant and patient receivables	(139,464)	(45,247)
Other receivables	(14,798)	8,365
Prepaid expenses	44,434	(87,939)
Accounts payable and accrued expenses	1,584,782	(665,693)
Accrued payroll and payroll related expenses	197,680	(103,565)
Accrued interest expense	744,015	(60,065)
Prepaid rent and tenant deposits	36,154	1,950
Net cash from operating activities	$ 7,195,669	$ 1,655,321

See accompanying notes.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – St. Joseph's Regional Housing Corporation (the "Corporation") is a California not-for-profit corporation. The Sisters of the Third Order of Saint Dominic Congregation of the Most Holy Name ("Sisters") (a Roman Catholic women's religious institute) established Mission Holding Corporation in 1994, which is the sole corporate member of O'Connor Woods Holding Company with certain reserved powers over the Corporation. O'Connor Woods Holding Company is the sole corporate member of O'Connor Woods Housing Corporation and O'Connor Woods, a California Corporation. The accompanying consolidated financial statements include the Corporation and its wholly-owned subsidiaries, O'Connor Woods Housing Corporation and O'Connor Woods (together the "Organization"). All significant intercompany accounts and transactions have been eliminated.

The Organization provides housing and other needs of the elderly in Stockton, California. It owns and operates a 249-unit residential retirement facility doing business as O'Connor Woods; a 37-unit assisted living facility doing business as Garden Oaks; a 40-unit assisted living facility doing business as Oak Creek; and a 100-unit skilled nursing facility doing business as Meadowood Care Center. On May 22, 2013, O'Connor Woods Housing Corporation's total campus received a certificate of authority from the State of California Department of Social Services Continuing Care Contracts Branch as a Continuing Care Retirement Community.

A summary of significant accounting policies follows:

Cash and cash equivalents – For purposes of reporting in the consolidated statements of cash flows, the Organization includes all highly liquid debt instruments purchased with an original maturity of three months or less, including money market funds, as cash and cash equivalents. The Organization periodically maintains cash deposits in excess of federally insured limits.

Assets limited as to use – Assets limited as to use primarily include assets held by trustees under indenture agreements related to the Organization's bond and certificate of participation obligations. The portion of limited use assets available to satisfy related current liabilities are classified as current assets in the accompanying consolidated balance sheets. Limited use assets held include primarily government agency debt securities and cash equivalents [(money market funds) (see Note 2)].

Accounts receivable – The Organization provides services to residents even though they may lack adequate funds or may participate in programs that do not pay full charges. The Organization receives payment for health services from residents, insurance companies, Medicare, HMOs, and other third-party payors. As a result, the Organization is exposed to certain credit risks. The Organization manages its risk by regularly reviewing its accounts, by providing appropriate allowances for uncollectible accounts. Tenant and patient accounts receivable are stated at the amount management expects to collect. The Organization provides for estimated losses on accounts receivable based on prior bad debt experience and generally does not charge interest on past due balances. Past due status is based on the date of services provided. Uncollectible receivables are charged off when deemed uncollectible. Recoveries from previously charged-off accounts are recorded when received.

Revenue recognition – The Organization's patient service revenues are generated through the Meadowood Care Center skilled nursing facility. The Organization generally does not require collateral or other security in extending credit to patients; however, the Organization routinely obtains assignments of (or is otherwise entitled to receive) benefits receivable under health insurance programs, plans, or policies of patients, such as the Medicare government reimbursement program ("Medicare") and commercial insurance. Patient service revenue is recognized at the time the service is provided. A portion of the Organization's revenues is subject to discounts under contracts with third-party payors.

Rental revenue generated through the assisted and independent living facilities is recognized monthly according to the rental agreements. Security deposits and advanced rent are recognized as liabilities until returned to tenants or otherwise earned.

The mix of receivables from patients and third-party payors is as follows:

	Years Ended December 31,	
	2013	2012
Medicare	40%	44%
Commercial and other	38%	29%
Medi-cal	10%	11%
Self pay	12%	16%
	100%	100%

Property and equipment – Property and equipment are stated at cost. Donated property is recorded at its estimated fair value at the date of receipt. The cost of property and equipment purchased in excess of $1,000 is capitalized. Depreciation of the property and equipment is computed principally using the straight-line method over the following estimated useful lives:

	Years
Building and improvements	5 - 50
Land improvements	5 - 50
Furniture and equipment	3 - 20

Investments – Investments consist primarily of publicly-traded corporate and U.S. government agency debt securities, corporate equity securities, and mutual funds. The Organization reports these investments at their estimated fair value based on quoted market prices.

Deferred financing costs and bond premiums – Deferred financing costs are being amortized over the term of the related long-term debt using the straight-line method of amortization, which approximates the effective interest method. The amortization expense for the years ended December 31, 2013 and 2012, was approximately $215,930 and $117,000. Accumulated amortization totaled $155,121 and $1,393,806 as of December 31, 2013 and 2012, respectively. Bond premiums are netted against the long-term debt balance and are amortized over the life of the bonds using the interest method. The amortization of bond premium revenue was $163,260 and $0 for the years ended December 31, 2013 and 2012, respectively.

Income taxes – The Organization is recognized as not-for-profit under Internal Revenue Code Section 501(c)(3) and under Section 23701(d) of the state of California Revenue and Taxation Code. Accordingly, the Organization is exempt from federal and California income taxes.

Donor restrictions and receivables – Contributions received for designated purposes are deposited and maintained in restricted cash accounts. Donor restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements. Permanently restricted net assets represent donor restricted donations for the Organization's resident assistance program. Uniform Prudent Management of Institutional Funds Act ("UPMIFA") requires the preservation of the fair value of the donor restricted donations as of the gift date of permanently restricted donations absent explicit donor stipulations to the contrary. The Organization classifies as permanently restricted net assets the original value of the donor restricted donations and 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. The restrictions require the Organization to maintain the donations in perpetuity with the interest and dividends earned on the donations to be used to assist residents.

The Organization reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Promises to give are reported in donor receivables. Donor receivables also include receivables from a beneficial interest administered by St. Joseph's Medical Center Foundation (the "Foundation") on behalf of the Organization. Donors participating in the program donate assets that are held in investment at a financial institution. The earnings from the assets are available for the donor's use and the asset balance is bequeathed to the Organization, through the Foundation, at the donor's death. The amount of the receivable recorded, approximately $263,000 and $163,000 at December 31, 2013 and 2012, respectively, is based on the present value of future benefits expected from the program. The donated assets ultimately available under the program are not restricted.

Other long-term liabilities – Other long-term liabilities consist of a transfer proceeds adjustment liability incurred in connection with the retirement of the Series 1999 bonds. The liability is payable in September 2017. The Series 2013 revenue bonds' reserve funds include funds set aside to be used to pay the liability.

Benevolence – The Organization provides services to residents who meet certain criteria under its benevolence policy without charge or at amounts less than its established rates. Partial payments to which the Organization is entitled from public assistance programs on behalf of residents that meet the Organization's benevolence criteria are reported as revenues. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue.

Estimates in the consolidated financial statements – In preparing consolidated financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Loss from early retirement of debt – Loss from early retirement of debt represent the unamortized deferred financing costs related to the Series 1999 Refunding Revenue Bonds and Series 2001A City of Stockton Revenue Bonds of approximately $1,800,000, the transfer proceeds adjustment liability incurred in connection with the retirement of the Series 1999 Refunding Revenue Bonds of $1,020,0000, and other non-recurring costs related to the Series 2013 Insured Revenue Bonds of approximately $250,000.

Operating income – The consolidated statements of operations include operating income. Changes in unrestricted net assets that are excluded from operating income or loss include investment income and unrealized gains and losses on investments, contributions of long-lived assets, and other incidental gains and losses not central to the Organization's on-going operations. Investment income from limited use investments held in trust under a bond indenture is included in operating income, as is the corresponding bond interest expense.

Fair value of financial instruments – The carrying amounts of financial instruments approximated fair value as of the balance sheet date because of the relatively short maturity period of these instruments. The fair value of long-term debt as of December 31, 2013 and 2012, is approximately $48,900,000 and $38,610,000, respectively. The amounts are estimated based upon a valuation of quoted prices of securities with similar characteristics. These are classified as Level 2 in the fair value hierarchy.

Health care reform – In March 2010, President Obama signed the Health Care Reform Legislation into law. The new law will result in sweeping changes across the health care industry. The primary goal of this comprehensive legislation is to extend coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. The Organization is unable to predict the full impact of the Health Care Reform Legislation at this time due to the law's complexity and current lack of implementing regulations or interpretive guidance. However, the Organization expects that provisions of the Health Care Reform Legislation, should it remain in effect in substantially its current form, will have a material effect on its business.

Recent accounting pronouncements – In October 2012, the Financial Accounting Standards Board issued Accounting Standards 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 not-for-profit. The Organization implemented this guidance in 2013. The adoption did not have a material impact on the consolidated financial statements.

Reclassifications – Certain reclassifications have been made to the 2012 consolidated financial statements to conform to the 2013 presentation.

NOTE 2 – ASSETS WHOSE USE IS LIMITED

Assets whose use is limited, invested primarily in government agency debt securities and cash equivalents, consist of the following (at fair value):

	December 31, 2013	December 31, 2012
Certificates of participation reserve funds:		
Debt service fund	$ -	$ 3,373,992
Series 2001A revenue bonds' reserve funds:		
Reserve fund	-	818,895
Redemption fund	-	44,103
Debt service fund	-	136,374
Series 2013 revenue bonds' reserve funds:		
Project fund	8,150,884	-
Revenue fund	100,569	-
Reserve fund	3,235,368	-
Interest fund	992,413	-
Debt service fund	355,004	-
Capitalized interest fund	600,615	-
	13,434,853	4,373,364
Less amount required for current liabilities	(1,662,651)	(1,690,376)
	$ 11,772,202	$ 2,682,988

NOTE 3 – INVESTMENTS

Investments include general-use investments, investments limited as to use by indenture agreements and those investments restricted by donor stipulation, and consist of the following:

	December 31, 2013 Cost	Fair Market Value	Unrealized Gain
Investments:			
Money market funds	$ 283,500	$ 283,500	$ -
U.S. government agency debt securities	2,951,818	2,824,082	(127,736)
Mutual funds	1,682,679	1,761,227	78,548
Equity securities	2,942,530	4,030,361	1,087,831
	7,860,527	8,899,170	1,038,643
Donor restricted cash and investments:			
Cash and cash equivalents	752,711	752,711	-
Assets whose use is limited:			
Cash and cash equivalents	8,164,003	8,164,003	-
U.S. government agency debt securities	5,282,065	5,270,850	(11,215)
	13,446,068	13,434,853	(11,215)
	$ 22,059,306	$ 23,086,734	$ 1,027,428

	December 31, 2012		
	Cost	Fair Market Value	Unrealized Gain
Investments:			
Money market funds	$ 324,035	$ 324,035	$ -
U.S. government agency debt securities	1,955,230	1,971,883	16,653
Mutual funds	1,686,760	1,865,555	178,795
Equity securities	3,172,594	3,637,333	464,739
	7,138,619	7,798,806	660,187
Donor restricted cash and investments:			
Cash and cash equivalents	686,342	686,342	-
Assets whose use is limited:			
Cash and cash equivalents	999,372	999,372	-
U.S. government agency debt securities	2,924,713	3,373,992	449,279
	3,924,085	4,373,364	449,279
	$ 11,749,046	$ 12,858,512	$ 1,109,466

The investments that were at an unrealized loss position at December 31, 2013, were as follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed income funds	$ 1,715,146	$ (51,467)	$ 927,939	$ (73,568)	$ 2,643,085	$ (125,035)
Common and preferred stocks	494,863	(32,986)	629,098	(40,752)	1,123,961	(73,738)
Total temporarily impaired securities	$ 2,210,009	$ (84,453)	$ 1,557,037	$ (114,320)	$ 3,767,046	$ (198,773)

Certain investment securities shown above currently have fair values less than amortized cost and therefore contain unrealized losses. The Organization has evaluated these securities and has determined that the decline in value is temporary and is related to current economic conditions. The decline in value is not related to any company or industry-specific event. At December 31, 2013, there are approximately 362 investment securities with unrealized losses. The Organization anticipates full recovery of amortized cost with respect to these securities.

The investments that were at an unrealized loss position at December 31, 2012, were as follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed income funds	$ 1,218,958	$ (5,558)	$ 136,503	$ (2,602)	$ 1,355,461	$ (8,160)
Common and preferred stocks	629,594	(65,082)	375,913	(47,576)	1,005,507	(112,658)
Total temporarily impaired securities	$ 1,848,552	$ (70,640)	$ 512,416	$ (50,178)	$ 2,360,968	$ (120,818)

Certain investment securities shown above currently have fair values less than amortized cost and therefore contain unrealized losses. The Organization has evaluated these securities and has determined that the decline in value is temporary and is related to current economic conditions. The decline in value is not related to any company or industry-specific event. At December 31, 2012, there are approximately 377 investment securities with unrealized losses. The Organization anticipates full recovery of amortized cost with respect to these securities.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31, 2013	December 31, 2012
Buildings and improvements	$ 61,585,807	$ 57,578,793
Land	4,325,171	4,325,171
Furniture and equipment	6,199,827	5,566,819
Land improvements	2,800,500	2,794,425
Construction in progress	3,392,268	673,778
	78,303,573	70,938,986
Less accumulated depreciation	(29,011,733)	(26,718,543)
Property and equipment, net	$ 49,291,840	$ 44,220,443

Depreciation expense for the years ended December 31, 2013 and 2012, was $2,374,868 and $2,192,831, respectively.

NOTE 5 – LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2013	December 31, 2012
Certificates of participation payable to ABAG Finance Authority for Nonprofit Corporations, with adjustable interest payable semi-annually and principal payments payable annually. Interest ranges from 2.0% to 5.0%, with the final payment due in January 2043. These certificates of participation are secured by a first deed of trust on the property and equipment of O'Connor Woods Housing Corporation.	$ 49,115,000	$ -
Certificates of participation payable to ABAG Finance Authority for Nonprofit Corporations, with adjustable interest payable semi-annually and principal payments payable annually. Interest ranged from 5.7% to 6.2%, with the final payment due in November 2029. These certificates of participation were secured by a first deed of trust on the property and equipment of O'Connor Woods Housing Corporation.	-	29,645,000
Series 2001A City of Stockton revenue bonds, with adjustable interest and principal payable annually. Interest ranged from 5.37% to 6.35%, with the final payment due in November 2031. These bonds were secured by a lien on Meadowood Care Center and a security interest in the furniture and personal property comprising Meadowood Care Center.	-	8,870,000
Capital lease with a finance company with monthly payments of $2,552, with a final payment of $7,200 due in November 2017. Interest rate is 6.03%. The lease is secured by the automobile.	64,472	71,955
	49,179,472	38,586,955
Less current portion	(367,152)	(1,301,443)
Bond issuance premium, net	3,217,549	-
	$ 52,029,869	$ 37,285,512

The aggregate amounts of principal payments due are as follows for the years ending December 31:

	Debt	Capital Lease	Total
2014	$ 355,000	$ 12,152	$ 367,152
2015	850,000	12,905	862,905
2016	870,000	13,706	883,706
2017	890,000	25,709	915,709
2018	925,000	-	925,000
Thereafter	45,225,000	-	45,225,000
	$ 49,115,000	$ 64,472	$ 49,179,472

Series 2013 Insured Revenue Bonds

The certificates of participation, issued in June 2013, established reserve funds to be held by a trustee bank. Funds held by the trustee as of December 31, 2013, totaled $13,434,853. The Organization paid fees in connection with the issuance of the certificates in the amount of $3,218,124. The proceeds of the certificates were used to refund the outstanding 1999 and 2001 Revenue Bonds, and to finance the construction of a memory care facility owned and operated by the Organization, establish the reserve funds, and pay fees associated with the delivery of the certificates.

Series 1999 Refunding Revenue Bonds

The certificates of participation, issued in November 1999, established reserve funds to be held by a trustee bank. Funds held by the trustee as of December 31, 2013 and 2012, totaled $0 and $3,373,992, respectively. The Organization paid fees in connection with the issuance of the certificates in the amount of $2,719,127. The proceeds of the certificates were used to advance refund the outstanding 1991 Series A Health Facility Revenue Bonds and mortgage payable to TRI Capital Corporation, finance the construction of an expansion of the facilities owned and operated by the Organization, establish the reserve funds, and pay fees associated with the delivery of the certificates. In conjunction with a settlement agreement with the Internal Revenue Service, the Organization repurchased $100,000 of certificates from existing holders in 2009 in excess of scheduled debt maturities. These repurchased certificates are reflected as a reduction to the outstanding principal balance. As a result of the 2013 refinancing, remaining deferred financing costs were fully amortized and are included in loss from early retirement of debt in the consolidated statement of operations.

Series 2001A City of Stockton Revenue Bonds

Series 2001A City of Stockton revenue bonds, issued in December 2001, established reserve funds to be held by a trustee bank. Funds held by the trustee as of December 31, 2013 and 2012, totaled $0 and $999,372, respectively. The Organization paid fees in connection with the issuance of the bonds in the amount of $576,773. The proceeds of the bonds were used to finance the acquisition of Meadowood Care Center, establish the reserve funds, and pay fees associated with the delivery of the bonds. As a result of the 2013 refinancing, remaining deferred financing costs were fully amortized and are included in extraordinary expense.

The certificates of participation and revenue bond indentures contain certain covenant restrictions including insurance maintenance, financial ratio requirements, and limitations on additional indebtedness. At December 31, 2013, management believes that the Organization is in compliance with all debt covenants.

Letter of credit – In June 2007, the Organization had an irrevocable stand-by letter of credit ("letter of credit") with a bank that provided for borrowings up to $220,000 that expired July 2008 but is subject to automatic extension annually as a minimum security deposit with the California Department of Industrial Relations for its self-insurance plans. Advances under the letter of credit bear interest at the greater of Wall Street Journal prime rate plus 1% or a Floor Rate of 6%. In July 2013, the Organization had automatically renewed the letter of credit and it was set to expire in July 2014. In September 2013, the Organization was notified by the California Department of Industrial relations that under the new regulations that became effective January 1, 2013, there is no longer the requirement that a minimum security deposit be posted with their office. Therefore, the letter of credit was cancelled in September 2013. The outstanding balance as of December 30, 2013 and 2012, was zero.

NOTE 6 – FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is defined 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. A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value within the fair value hierarchy are:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets

Available-for-sale securities – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Level 2 securities include certain collateralized debt obligations and certain municipal securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include private investment funds and other closely held investments.

Beneficial interest in Foundation – Beneficial interest in Foundation consists of cash and other assets received under irrevocable annuity contracts by the Foundation on the Organization's behalf. These contracts guarantee a specified amount for the life of the donor or beneficiaries designated by the donor. The assets received are not commingled with the general assets of the Organization. A reserve account has been established and invested in accordance with California statutes. Fair value is estimated using a discounted expected future cash flows model. Generally, inputs to this model, including expected future cash flows and discount rates, are not observable and beneficial interest in Foundation are classified within Level 3 of the hierarchy. The discount rates used range from 3.6% to 8.0%. Upon the death of the donor, the remaining funds revert to the Organization and are taken to income. The change in present value of the gift annuities for the years ended December 31, 2013 and 2012, is $262,821 and $163,316, respectively.

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheet measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

Description	December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets whose use is limited:				
Cash and cash equivalents				
Cash and money market funds	$ 8,164,003	$ 8,164,003	$ -	$ -
	8,164,003	8,164,003	-	-
Debt securities				
U.S. treasury securities	5,270,850	-	5,270,850	-
	5,270,850	-	5,270,850	-
Total assets whose use is limited	13,434,853	8,164,003	5,270,850	-
Donated restricted cash and investments:				
Cash and cash equivalents				
Cash and money market funds	752,711	752,711	-	-
Total donated restricted cash and investments	752,711	752,711	-	-
Investments				
Cash and cash equivalents				
Cash and money market funds	283,500	283,500	-	-
	283,500	283,500	-	-
Debt securities				
U.S. treasury securities	2,824,082	-	2,824,082	-
	2,824,082	-	2,824,082	-
Equity securities				
Financial services industry	470,275	470,275	-	-
Healthcare industry	226,669	226,669	-	-
Business services	845,433	845,433	-	-
Consumer goods/services	1,058,789	1,058,789	-	-
Energy	267,408	267,408	-	-
Technology	868,679	868,679	-	-
Telecommunication	225,961	225,961	-	-
Utilities	67,147	67,147	-	-
	4,030,361	4,030,361	-	-
Mutual funds	1,761,227	1,761,227	-	-
	1,761,227	1,761,227	-	-
Total investments	8,899,170	6,075,088	2,824,082	-
Beneficial interest in Foundation	262,821	-	-	262,821
Total beneficial interest in Foundation	262,821	-	-	262,821
	$ 23,349,555	$ 14,991,802	$ 8,094,932	$ 262,821

Description	December 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets whose use is limited:				
Cash and cash equivalents				
Cash and money market funds	$ 999,372	$ 999,372	$ -	$ -
	999,372	999,372	-	-
Debt securities				
U.S. treasury securities	3,373,992	-	3,373,992	-
	3,373,992	-	3,373,992	-
Total assets whose use is limited	4,373,364	999,372	3,373,992	-
Donated restricted cash and investments:				
Cash and cash equivalents				
Cash and money market funds	686,342	686,342	-	-
Total donated restricted cash and investments	686,342	686,342	-	-
Investments				
Cash and cash equivalents				
Cash and money market funds	324,035	324,035	-	-
	324,035	324,035	-	-
Debt securities				
Residential-mortgage-backed securities	980,837	-	980,837	-
U.S. treasury securities	991,046	-	991,046	-
	1,971,883	-	1,971,883	-
Equity securities				
Financial services industry	460,387	460,387	-	-
Healthcare industry	45,123	45,123	-	-
Business services	1,115,328	1,115,328	-	-
Consumer goods/services	567,396	567,396	-	-
Energy	222,134	222,134	-	-
Technology	874,907	874,907	-	-
Telecommunication	343,695	343,695	-	-
Utilities	8,363	8,363	-	-
	3,637,333	3,637,333	-	-
Mutual funds	1,865,555	1,865,555	-	-
	1,865,555	1,865,555	-	-
Total investments	7,798,806	5,826,923	1,971,883	-
Beneficial interest in Foundation	163,316	-	-	163,316
Total beneficial interest in Foundation	163,316	-	-	163,316
	$ 13,021,828	$ 7,512,637	$ 5,345,875	$ 163,316

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated balance sheet using significant unobservable (Level 3) inputs:

	Beneficial Interest in Foundation
Balance, January 1, 2012	$ 145,571
Total realized and unrealized gains and losses:	
Included in change in unrestricted net assets	47,884
Contributions	(30,139)
Balance, December 31, 2012	163,316
Total realized and unrealized gains and losses:	
Included in change in unrestricted net assets	36,182
Contributions	63,323
Balance, December 31, 2013	$ 262,821

NOTE 7 – RISK MANAGEMENT

The Organization's liability insurance is a claims-made policy. Under the policy, insurance premiums cover only those claims actually reported during the policy term. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims related to occurrences during their terms, but reported subsequent to their termination, may be uninsured. The deductible on the claims-made policy was $1,000 as of December 31, 2013 and 2012.

Accounting principles generally accepted in the United States of America require that a health care facility disclose the estimated costs of malpractice claims in the period of the incident of malpractice if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated. Management is not aware of any pending claims that exceed the coverage limitations provided by their policy. Based on the Organization's historical claims experience, management believes that any unreported professional liability will not have a material adverse effect on the Organization's financial position or results of operations.

The Organization was self-insured for workers' compensation benefits for employees through January 1998. From February 1998 to December 2003, the Organization purchased workers' compensation insurance through an outside carrier. Effective January 2004, the Organization is part of a self-insured group plan for workers' compensation benefits. An initial capital contribution deposit of $109,717 was held by the plan during December 31, 2013 and 2012.

NOTE 8 – ADMINSTRATIVE SERVICES AGREEMENT

The Organization has a contractual agreement with St. Joseph's Medical Center ("SJMC"), an acute care hospital in Stockton, California, affiliated with Dignity Health, whereby SJMC provides administrative services for a fee and processes pass-through expenditures on behalf of the Organization. Under the terms of the administrative services agreement, approximately $409,633 and $400,000, exclusive of pass-through activity, was recognized as expense for the years ended December 31, 2013 and 2012, for services provided by SJMC.

NOTE 9 – EMPLOYEE BENEFIT PLAN

The Organization sponsors a 403(b) retirement plan (the "Plan") covering substantially all employees. Employees are immediately eligible to participate in the Plan and defer compensation under the Plan provisions. Employee deferral amounts are subject to Internal Revenue Service annual limitations. The Plan provides for employer-matching contributions. Employees who are at least 21 years of age and have completed one year of service are generally eligible to participate in employer-matching contributions. The employer will match 33.33% of the employee's deferral for deferral amounts not exceeding 6% of the employee's annual compensation. Employees vest 100% in employer-matching contributions after completing three years of service. Employer contributions to the Plan for the years ended December 31, 2013 and 2012, were $134,965 and $157,249, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The Organization is involved in litigation arising in the normal course of business. It is not possible to state the ultimate liability, if any, in these matters. In the opinion of management, such litigation will be covered by the Organization's insurance and the resolution of such will not have a material effect on the financial position or results of operations of the Organization.

The Organization is subject to many complex federal, state, and local laws and regulations. Compliance with these laws and regulations is subject to government review and interpretation and unknown or unasserted regulatory actions. Government activity, with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity, coding, and billing for services, has increased significantly. Violations of these laws can result in large fines and penalties, sanctions on providing future services, and repayment of past patient service revenues. Management believes any actions that may result from investigations of noncompliance with laws and regulations will not have a material effect on the Organization's future financial position or results of operations.

In August 2008, an election was held where the Organization's labor force that was affected chose to be represented by the Service Employees International Union – United Healthcare Workers ("SEIU"). That election was subsequently certified by the National Labor Relations Board ("NLRB"). The Organization executed a collective bargaining agreement with the SEIU effective March 28, 2010. The term of the agreement was two years and expired in March 2012. In February 2012 employees in the bargaining unit voted to de-certify the SEIU as their collective bargaining agent. The election was certified by the NLRB in June 2012, and as of that date employees and the organization no longer had any commitments to SEIU.

NOTE 11 – HEALTH AND SAFETY CODE SECTION 1790(A)(3) DISCLOSURE

The following disclosure is made pursuant to section 1790(a)(3) of the California Health & Safety Code with respect to O'Connor Woods Housing Corporation. Reserves are being accumulated for identified projects or contingencies as disclosed in Note 2. We maintain a principal/reserve account for debt servicing, in the amount of $13,434,853 and $4,373,364 as of December 31, 2013 and 2012, respectively. These accounts are held with our Bond Holder Trustee – BNY Mellon Trust Company.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated balance sheet date, but before consolidated financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet, but arose after the consolidated balance sheet date and before the consolidated financial statements are issued.

The Organization has evaluated subsequent events through April 18, 2014, which is the date the consolidated financial statements are issued.

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2013

	O'Connor Woods Housing Corp.	O'Connor Woods Holding Company	Totals Before Eliminations	Eliminations	Combined Totals
REVENUE AND OTHER SUPPORT					
Rental revenues	$ 12,425,474	$ -	$ 12,425,474	$ -	$ 12,425,474
Net patient service revenues	12,371,908	-	12,371,908	-	12,371,908
Investment income – limited use and net realized gains	179,575	459,504	639,079	-	639,079
Other revenue	1,566,495	12,207	1,578,702	-	1,578,702
Contributions	1,678,098	-	1,678,098	-	1,678,098
Net assets released from restrictions from operations	40,014	-	40,014	-	40,014
Total revenue	28,261,564	471,711	28,733,275	-	28,733,275
EXPENSES					
Salaries and benefits	15,371,334	-	15,371,334	-	15,371,334
Medical and other supplies	2,263,054	669	2,263,723	-	2,263,723
Purchased services	2,023,728	12,035	2,035,763	-	2,035,763
Other insurance	346,733	-	346,733	-	346,733
Utilities	1,129,280	7,894	1,137,174	-	1,137,174
Other operating expenses	576,089	971	577,060	-	577,060
Depreciation and amortization	2,410,079	19,192	2,429,271	-	2,429,271
Interest	2,574,472	-	2,574,472	(204,913)	2,369,559
Total expenses	26,694,769	40,761	26,735,530	(204,913)	26,530,617
Operating income	1,566,795	430,950	1,997,745	204,913	2,202,658
OTHER GAINS (LOSSES)					
Investment (loss) income	302,989	365,543	668,532	(204,913)	463,619
Unrealized gain (loss) on investments	(216,451)	257,840	41,389	-	41,389
Net assets released from restriction for purchase of property and equipment	-	-	-	-	-
Loss from early retirement of debt	(3,077,523)	-	(3,077,523)	-	(3,077,523)
Increase in unrestricted net assets	(1,424,190)	1,054,333	(369,857)	-	(369,857)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Contributions	166,290	500	166,790	-	166,790
Investment income	7,841	-	7,841	-	7,841
Net assets released from restrictions for operations	(40,014)	-	(40,014)	-	(40,014)
Net assets released from restriction for purchase of property and equipment	-	-	-	-	-
Increase in temporarily restricted net assets	134,117	500	134,617	-	134,617
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS					
Contributions	14,951	-	14,951	-	14,951
Increase in permanently restricted net assets	14,951	-	14,951	-	14,951
Increase (decrease) in net assets	(1,275,122)	1,054,833	(220,289)	-	(220,289)
Net assets, beginning of year	6,655,683	15,244,668	21,900,351	-	21,900,351
Net assets, end of year	$ 5,380,561	$ 16,299,501	$ 21,680,062	$ -	$ 21,680,062

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2012

	O'Connor Woods Housing Corp.	O'Connor Woods Holding Company	Totals Before Eliminations	Eliminations	Combined Totals
REVENUE AND OTHER SUPPORT					
Rental revenues	$ 12,063,549	$ -	$ 12,063,549	$ -	$ 12,063,549
Net patient service revenues	12,388,670	-	12,388,670	-	12,388,670
Investment income – limited use and net realized gains	215,885	571,517	787,402	-	787,402
Other revenue	1,106,174	14,541	1,120,715	-	1,120,715
Contributions	108,045	-	108,045	-	108,045
Net assets released from restrictions from operations	14,372	-	14,372	-	14,372
Total revenue	25,896,695	586,058	26,482,753	-	26,482,753
EXPENSES					
Salaries and benefits	14,887,604	2,150	14,889,754	-	14,889,754
Medical and other supplies	2,233,098	955	2,234,053	-	2,234,053
Purchased services	2,025,834	11,125	2,036,959	-	2,036,959
Other insurance	314,474	-	314,474	-	314,474
Utilities	1,049,663	3,623	1,053,286	-	1,053,286
Other operating expenses	484,784	1,767	486,551	-	486,551
Depreciation and amortization	2,290,812	19,210	2,310,022	-	2,310,022
Interest	2,666,339	-	2,666,339	(210,792)	2,455,547
Total expenses	25,952,608	38,830	25,991,438	(210,792)	25,780,646
Operating income (loss)	(55,913)	547,228	491,315	210,792	702,107
OTHER GAINS (LOSSES)					
Investment (loss) income	(35,405)	376,341	340,936	(210,792)	130,144
Unrealized gain (loss) on investments	155,161	108,004	263,165	-	263,165
Net assets released from restriction for purchase of property and equipment	40,051	15,750	55,801	-	55,801
Increase in unrestricted net assets	103,894	1,047,323	1,151,217	-	1,151,217
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Contributions	117,657	625	118,282	-	118,282
Investment loss	(61,179)	-	(61,179)	-	(61,179)
Net assets released from restrictions for operations	(14,372)	-	(14,372)	-	(14,372)
Net assets released from restriction for purchase of property and equipment	(40,051)	(15,750)	(55,801)	-	(55,801)
Increase (decrease) in temporarily restricted net assets	2,055	(15,125)	(13,070)	-	(13,070)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS					
Contributions	19,113	-	19,113	-	19,113
Increase in permanently restricted net assets	19,113	-	19,113	-	19,113
Increase in net assets	125,062	1,032,198	1,157,260	-	1,157,260
Net assets, beginning of year	6,530,621	14,212,470	20,743,091	-	20,743,091
Net assets, end of year	$ 6,655,683	$ 15,244,668	$ 21,900,351	$ -	$ 21,900,351

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Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules

O'Connor Woods Housing Corporation

December 31, 2013

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
O'Connor Woods Housing Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of O'Connor Woods Housing Corporation, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended December 31, 2013.

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 O'Connor Woods Housing Corporation as of and for the year ended December 31, 2013, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by O'Connor Woods Housing Corporation 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.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of O'Connor Woods Housing Corporation 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 18, 2014

CONTINUING CARE LIQUID RESERVE SCHEDULES

FORM 5-1
LONG TERM DEBT INCURRED
IN A PRIOR FISCAL YEAR
(INCLUDING BALLON 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	11/23/1999	$ 985,000	$ 1,895,160	$ -	$ 2,880,160
2	12/18/2001	$ 240,000	$ 578,485	$ -	$ 818,485
3					
4					
5					
6					
7					
8					
		TOTAL:	$ 2,473,645	$ -	$ 3,698,645

Provider: O'Connor Woods

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

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

In June 2013, O'Connor Woods retired its Series 1999 Certificates of Participation bonds and Series 2001A City of Stockton revenue bonds through the issuance of the $49,115,000 Series 2013 Insured Revenue bonds.

O'CONNOR WOODS HOUSING CORPORATION
FORM 5-2
LONG-TERM DEBT INCURRED DURING FISCAL YEAR
(INCLUDING BALLOON DEBT)
Year Ended December 31, 2013

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	6/1/2013	$ -	$ 355,000	$ 1	$ 355,000
2					
3					
4					
5					
6					
7					
8					
		TOTAL:	$ 355,000	$ 1	$ 355,000

Provider: O'Connor Woods

O'CONNOR WOODS HOUSING CORPORATION
FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Year Ended December 31, 2013

Line		TOTAL
1	Total from 5-1 bottom of column (e)	$ 3,698,645
2	Total from 5-2 bottom of column (e)	355,000
3	Facility leasehold or rental payment paid by the provider during fiscal year (including related payments such as lease insurance)	-
4	Total amount required for long-term debt reserve	$ 4,053,645

Provider: O'Connor Woods

O'CONNOR WOODS HOUSING CORPORATION
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Year Ended December 31, 2013

Line			Amounts	Total
1		Total operating expenses from financial statements		$ 26,530,617
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$ 2,369,559	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$ -	
	c.	Depreciation	$ 2,374,868	
	d.	Amortization	$ 54,403	
	e.	Revenues received during the fiscal year for services for persons who did not have a continuing care contract	$ 24,797,382	
	f.	**Extraordinary expenses approved by the Department**	$ -	
3		Total deductions		$ 29,596,212
4		Net operating expenses		$ -
5		Divide Line 4 by 365 and enter the result.		$ -
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$ -

Provider: O'Connor Woods

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: O'Connor Woods Housing Corporation
Fiscal Year Ended: December 31, 2013

We have reviewed our Debt Service Reserve and Operating requirements as of, and for the period ended: December 31, 2013 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	$ 4,053,645
[2]	Operating expense reserve amount	$0
[3]	**Total liquid reserve amount**	$ 4,053,645

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		Amount (market value at end of quarter): Operating Reserve
[4]	Cash and cash equivalents	$ 3,289,938		$ -
[5]	Investment securities	$ 4,585,309		$ -
[6]	Equity securities	$ 4,030,361		$ -
[7]	Unused/available lines of credit	$ -		$ -
[8]	Unused/available letters of credit	$ -		$ -
[9]	Debt service reserve	$ 13,434,853		(Not Applicable)
[10]	Other: ______ (describe qualifying asset)	$ -		$ -
	Total amount of qualifying assets Listed for reserve obligation: [11]	$ 25,340,461	[12]	$ -
	Reserve obligation amount: [13]	$ 4,053,645	[14]	$ -
	Surplus/(deficiency): [15]	$ 21,286,816	[16]	$ -

Signature R. Scott Smith

(Authorized Representative)

Date: April , 2014

Executive Director

(Title)

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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)	2045 - 5155	3615 - 4885	262-338
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3%	4%	5%

☐ 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: JAN 1 - 2013
(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: O'Connor Woods
COMMUNITY: O'Connor Woods.

O'Connor Woods

2013 Monthly Fee Increase Rationale

It was necessary to increase monthly fees in all levels of care in 2013. In the preparation of the 2013 budget all of these factors were taken into consideration, as was the lower than projected occupancy that affects revenue. Effective January 1, 2013 monthly fees increased 3.0% in independent living, 4.0% in assisted living and almost 5.0% in skilled nursing. The reasons these fee increases were necessary was:

- Fewer residents renting carports
- Different payor mix in skilled nursing
- Need to hire a part time LVN to manage employee injuries
- Implementation of an annual health assessment in independent living
- Increased Food costs
- Increased Utility costs
- Increased repair costs on an aging golf cart fleet
- Housekeeping supply cost increases
- Need to increase the use of contract landscaping costs
- Increase in contract tree pruning
- Necessity of hiring consultants to create and implement strategic plan priorities
- Increased marketing staff and materials costs to help fill vacant apartments
- Increase in the cost of employee benefits, e.g. health insurance, dental insurance and workers compensation
- Need to replace additional personal computers
- New RN position in SNF to handle increased acuity of patients
- Increase of budgeted staff time in SNF to implement and roll out the EHR
- Increased Laboratory, Radiology, Pharmacy and Therapy expenses to handle increased acuity of patients
- Increase in the cost and amount of entertainment in SNF

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4-18-14

FACILITY NAME: O'Connor Woods

ADDRESS: 3400 Wagner Heights Road ZIP CODE: 95209 PHONE: 209.956.3400

PROVIDER NAME: O'Connor Woods FACILITY OPERATOR: O'Connor Woods

RELATED FACILITIES: N/A RELIGIOUS AFFILIATION: Dominican Sisters of San Rafael

YEAR OPENED: 1990 # OF ACRES: 34 ☐ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ______ MILES TO SHOPPING CTR: 1.5 MILES TO HOSPITAL: 7.3

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:	4	ASSISTED LIVING:	77
APARTMENTS – 1 BDRM:	111	SKILLED NURSING:	100
APARTMENTS – 2 BDRM:	106	SPECIAL CARE:	
COTTAGES/HOUSES:	30	DESCRIBE SPECIAL CARE:	
RLU OCCUPANCY (%) AT YEAR END:	84.02%		

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

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

REFUND PROVISIONS: (Check all that apply) ☐ 90% ☐ 75% ☐ 50% ☐ PRORATED TO 0% ☐ OTHER: ______

RANGE OF ENTRANCE FEES: $______ TO $______ **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☑ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: No

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: N/A OTHER: ______

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): Resident Council President reports at Board meeti

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	☐	☑	HOUSEKEEPING (2-3 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 Greenhouse	☑	☐			

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: O'Connor Woods

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

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

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

PROVIDER NAME: O'Connor Woods

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	24,514,476	25,492,146	25,572,934	26,537,194
LESS OPERATING EXPENSES (excluding depreciation, amortization, and interest)	21,781,717	20,723,195	21,015,077	21,541,766
NET INCOME FROM OPERATIONS	2,732,759	4,768,951	4.557.857	4,995,428
LESS INTEREST EXPENSE	2,590,180	2,521,697	2,455,547	2,365,196
PLUS CONTRIBUTIONS	63,607	66,875	108.045	111,887
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,242,444	624,260	1,180.771	987,195
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	1,448,630	2,938,389	3,391,126	3,729,314
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)				

DESCRIPTION OF SECURED DEBT (AS OF MOST RECENT FISCAL YEAR END)

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
ABAG	49,115,000		06-2013	1-2043	30 years
Fleet Financing	60,000	6.03%	11-2012	11-2017	5 years

FINANCIAL RATIOS
(see next page for ratio formulas)

	2012 CCAC Medians 50th Percentile *(optional)*	2011	2012	2013
DEBT TO ASSET RATIO		.5985	.5864	.6401
OPERATING RATIO		.9118	.9178	.9009
DEBT SERVICE COVERAGE RATIO		1.2933	1.2236	1.5918
DAYS CASH-ON-HAND RATIO		166	142	163

HISTORICAL MONTHLY SERVICE FEES
(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO					2,015	3	2,075
ONE BEDROOM					3,159	3	3,254
TWO BEDROOM					3,855	3	3,971
COTTAGE/HOUSE					5.075	3	5,227
ASSISTED LIVING	4,164	5	4,373	4	4,547	4	4,729
SKILLED NURSING	266	5	279	4	290	5	305
SPECIAL CARE							

COMMENTS FROM-PROVIDER:

PROVIDER NAME: O'Connor Woods

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

.6401

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

52,029,869
81,279,141

OPERATING RATIO

.9009

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

26,336,235
− 2,374,871
− 54,402
26,537,194

DEBT SERVICE COVERAGE RATIO

1.5918

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

312,846
+ 2,365,196
+ 2,374,871
+ 54,402
−
3,208,500

DAYS CASH ON HAND RATIO

163

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

10,699,613
+
23,906,962 / 365
= 65,498.53

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

Date Prepared: 5/28/2014

O'CONNOR WOODS HOLDING CORPORATION

Chief Executive Officer Signature

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

	2009	2010	2011	2012	2013	Projected 2014	Forecast 2015	2016	2017	2018	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	91.60%	88.40%	87.90%	88.80%	87.40%	86.10%	87.00%	88.00%	89.00%	89.00%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	-1.20%	3.62%	3.27%	2.73%	5.50%	-0.79%	1.68%	2.12%	2.62%	3.09%	↑
3. Net Operating Margin - Adjusted (%)											
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	$2,779	$10,360	$10,578	$9,124	$10,727	$11,263	$11,827	$12,418	$13,039	$13,691	↑
5. Days Cash on Hand (Unrestricted)	210	186	181	159	161	274	269	270	272	274	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	N/A
7. Net Annual E/F proceeds ($000)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	N/A
8. Unrestricted Net Assets ($000)	$17,309	$18,934	$19,875	$21,026	$20,656	$20,433	$22,191	$22,700	$21,352	$22,190	N/A
9. Annual Capital Asset Expenditure ($000)	$1,231	$2,949	$2,172	$1,430	$7,446	$7,000	$1,500	$1,500	$1,500	$1,500	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	1.13	1.49	1.50	1.44	2.39	1.84	1.75	1.81	1.87	1.94	↑
11. Annual Debt Service Coverage (x)											
12. Annual Debt Service/Revenue (%)	14.49%	14.17%	13.95%	14.26%	7.79%	10.02%	10.62%	10.31%	10.00%	9.72%	↓
13. Average Annual Effective Interest Rate (%)	6.31%	6.33%	6.35%	6.42%	4.52%	4.81%	4.64%	4.70%	4.74%	4.78%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	6.60%	25.33%	26.62%	23.69%	20.47%	21.78%	23.34%	25.04%	26.87%	28.85%	↑
15. Average Age of Facility (years)	18	19	20	21	22	23	24	25	26	27	↑