Northern California Presbyterian Homes & Services, Inc.

Continuing Care Contract Annual Report
For the Year Ended December 31, 2014

Part 1

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	323
[2]	Number at end of fiscal year	328
[3]	Total Lines 1 and 2	651
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	325.5
	All Residents	
[6]	Number at beginning of fiscal year	323
[7]	Number at end of fiscal year	328
[8]	Total Lines 6 and 7	651
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	325.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	1.00

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$26,335,756
[a]	Depreciation	$3,497,486	
[b]	Debt Service (Interest Only)	$824,663	
[2]	Subtotal (add Line 1a and 1b)		$4,322,149
[3]	Subtract Line 2 from Line 1 and enter result.		$22,013,607
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		100%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$22,013,607
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$22,014

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

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	298
[2]	Number at end of fiscal year	299
[3]	Total Lines 1 and 2	597
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	298.5
	All Residents	
[6]	Number at beginning of fiscal year	298
[7]	Number at end of fiscal year	299
[8]	Total Lines 6 and 7	597
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	298.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	1.00

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$23,954,386
[a]	Depreciation	$2,428,955	
[b]	Debt Service (Interest Only)	$583,952	
[2]	Subtotal (add Line 1a and 1b)		$3,012,907
[3]	Subtract Line 2 from Line 1 and enter result.		$20,941,479
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		100%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$20,941,479
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$20,941

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

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents		TOTAL
[1]	Number at beginning of fiscal year		307
[2]	Number at end of fiscal year		310
[3]	Total Lines 1 and 2		617
[4]	Multiply Line 3 by ".50" and enter result on Line 5.		x .50
[5]	Mean number of continuing care residents		308.5
	All Residents		
[6]	Number at beginning of fiscal year		307
[7]	Number at end of fiscal year		310
[8]	Total Lines 6 and 7		617
[9]	Multiply Line 8 by ".50" and enter result on Line 10.		x .50
[10]	Mean number of *all* residents		308.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).		1.00

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$21,699,934
[a]	Depreciation	$2,122,529	
[b]	Debt Service (Interest Only)	$482,787	
[2]	Subtotal (add Line 1a and 1b)		$2,605,316
[3]	Subtract Line 2 from Line 1 and enter result.		$19,094,618
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		100%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$19,094,618
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$19,095

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

Part 2

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

December 31, 2014

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

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

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

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

David Berg

President & CEO
Title

4/28/15
Date

Part 3

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

December 31, 2014

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

Part 4

Northern California Presbyterian Homes and Services, Inc.

Consolidated Financial Statements
Years Ended December 31, 2014 and 2013

Northern California Presbyterian Homes and Services, Inc.
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December 31, 2014 and 2013

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Northern California Presbyterian Homes and Services, Inc. ("NCPHS") and related entities, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of revenues, expenses and other changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We did not audit the financial statements of Western Park Apartments, L.P., a controlled partnership, which statements reflect total assets constituting 11.4 percent and 5.4 percent, respectively, of consolidated total assets at December 31, 2014 and 2013 and total revenues of 2.2 percent and 0.5 percent, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Western Park Apartments, L.P., is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NCPHS and related entities at December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

May 13, 2015

Northern California Presbyterian Homes and Services, Inc.
Consolidated Balance Sheets
December 31, 2014 and 2013
(dollars in thousands)

	2014			2013
	NCPHS	**SSNC**	**Consolidated**	**Consolidated**
Assets				
Current assets				
Cash and cash equivalents	$ 4,321	$ 899	$ 5,220	$ 3,445
Marketable securities	53,498	21,434	74,932	75,564
Accounts, notes and interest receivable	3,117	80	3,197	3,632
Pledges receivable, net of allowance	-	7	7	86
Limited use assets	1,686	-	1,686	1,664
Prepaid expenses and other assets	1,050	-	1,050	1,183
Total current assets	63,672	22,420	86,092	85,574
Investments contractually limited for replacement reserves on properties financed by the U.S. Department of Housing and Urban Development, development deposits and net operating income reserve	4,059	-	4,059	4,292
Investments held in trust	-	13,009	13,009	12,940
Trust contributions receivable	-	744	744	539
Pledges receivable, net of allowance, less current portion	-	379	379	549
Deferred charges and other assets	1,497	-	1,497	830
Facilities, net of accumulated depreciation	154,418	-	154,418	135,275
	159,974	14,132	174,106	154,425
Total assets	$ 223,646	$ 36,552	$ 260,198	$ 239,999
Liabilities and Net Assets				
Current liabilities				
Accounts payable	$ 8,982	$ 71	$ 9,053	$ 7,754
Payroll and related taxes payable	4,785	-	4,785	5,587
Line of credit - unsecured	2,000	-	2,000	1,000
Current portion of long term debt	3,597	-	3,597	3,449
Accrued interest payable	505	-	505	467
Refundable deposits	892	-	892	826
Entrance fees paid in advance	3,141	-	3,141	1,660
Other current liabilities	-	-	-	42
Total current liabilities	23,902	71	23,973	20,785
Long term debt, less current portion	76,070	-	76,070	62,378
Liability on refundable contracts	12,182	-	12,182	10,974
Liability for payments to trust beneficiaries	-	5,946	5,946	6,083
Pension liability	18,326	-	18,326	5,222
Unamortized entrance fees	108,116	-	108,116	104,700
Other long-term liabilities	6,901	786	7,687	9,447
	221,595	6,732	228,327	198,804
Total liabilities	245,497	6,803	252,300	219,589
Net assets				
Unrestricted net assets				
Controlling interest	(21,851)	6,000	(15,851)	(1,408)
Non-controlling interest	-	-	-	43
Total unrestricted net assets	(21,851)	6,000	(15,851)	(1,365)
Temporarily restricted net assets	-	16,543	16,543	14,590
Permanently restricted net assets	-	7,206	7,206	7,185
Total net assets	(21,851)	29,749	7,898	20,410
Total liabilities and net assets	$ 223,646	$ 36,552	$ 260,198	$ 239,999

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

Northern California Presbyterian Homes and Services, Inc.
Consolidated Statements of Revenues, Expenses and Other Changes in Unrestricted Net Assets
Years Ended December 31, 2014 and 2013
(dollars in thousands)

	2014			2013
	NCPHS	SSNC	Consolidated	Consolidated
Operating revenues and support				
Revenues				
Resident fees	$ 54,978	$ -	$ 54,978	$ 53,055
Amortization of entrance fees	14,550	-	14,550	13,870
Fees for services and other income	13,161	-	13,161	12,617
Investment income including realized gains and losses on investments	5,885	411	6,296	5,364
Gain on interest rate swap	422	-	422	625
	88,996	411	89,407	85,531
Support				
Contributions	-	564	564	379
Net assets released from restrictions	72	1,119	1,191	3,134
Total operating revenues and support	89,068	2,094	91,162	89,044
Expenses				
Program expenses				
Housing				
Program	18,313	-	18,313	18,263
Interest expense	2,533	-	2,533	2,296
Depreciation	9,103	-	9,103	8,660
Food service	13,564	-	13,564	12,926
Health care	19,605	-	19,605	19,088
Other program services	16,108	-	16,108	16,787
	79,226	-	79,226	78,020
Program support expense				
Administration	7,880	-	7,880	8,189
Depreciation	312	-	312	315
	8,192	-	8,192	8,504
Total expenses	87,418	-	87,418	86,524
Change in unrestricted net assets from operations	1,650	2,094	3,744	2,520
Other changes				
Unrealized gains (losses) on investments	(3,332)	(88)	(3,420)	4,238
Grants transferred for programs and facilities	1,799	(1,799)	-	-
Non periodic change in pension liability	(14,451)	-	(14,451)	13,084
Change in non-controlling interest	(43)	-	(43)	43
Other	(316)	-	(316)	46
Change in unrestricted net assets	(14,693)	207	(14,486)	19,931
Unrestricted net assets (deficit) at beginning of year	(7,158)	5,793	(1,365)	(21,296)
Unrestricted net assets (deficit) at end of year	$ (21,851)	$ 6,000	$ (15,851)	$ (1,365)

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

Northern California Presbyterian Homes and Services, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2014 and 2013
(dollars in thousands)

	2014			2013
	NCPHS	SSNC	Consolidated	Consolidated
Unrestricted net assets				
Change in unrestricted net assets from operations	$ 1,650	$ 2,094	$ 3,744	$ 2,520
Unrealized gains (losses) on investments	(3,332)	(88)	(3,420)	4,238
Grants transferred for programs and facilities	1,799	(1,799)	-	-
Non periodic changes in pension liability	(14,451)	-	(14,451)	13,084
Change in non-controlling interest	(43)	-	(43)	43
Other	(316)	-	(316)	46
Change in unrestricted net assets	(14,693)	207	(14,486)	19,931
Temporarily restricted net assets				
Contributions	-	1,833	1,833	3,183
Investment income	-	871	871	514
Change in value of split-interest agreements	-	345	345	713
Unrealized gains from investments	-	95	95	740
Net assets released from restrictions	(72)	(1,119)	(1,191)	(3,134)
Change in temporarily restricted net assets	(72)	2,025	1,953	2,016
Permanently restricted net assets				
Contributions	-	5	5	85
Change in value of split-interest agreements	-	16	16	181
Change in permanently restricted net assets	-	21	21	266
Change in net assets	(14,765)	2,253	(12,512)	22,213
Net assets (deficit) at beginning of year	(7,086)	27,496	20,410	(1,803)
Net assets (deficit) at end of year	$ (21,851)	$ 29,749	$ 7,898	$ 20,410

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

Northern California Presbyterian Homes and Services, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013
(dollars in thousands)

	2014			2013
	NCPHS	SSNC	Consolidated	Consolidated
Cash flows from operating activities				
Cash received from entrance fees	$ 20,965	$ -	$ 20,965	$ 18,256
Cash received from resident fees	54,404	-	54,404	53,061
Cash received from services and other income	13,201	-	13,201	12,443
Cash received from contributions	-	2,404	2,404	3,895
Cash paid for grants and support	1,799	(1,827)	(28)	-
Investment income	929	1,285	2,214	1,972
Interest paid	(2,397)	-	(2,397)	(2,321)
Cash paid to employees and suppliers	(76,863)	-	(76,863)	(72,512)
Settlement of ARO liabilities	(1,973)	-	(1,973)	(656)
Cash provided by operating activities	10,065	1,862	11,927	14,138
Cash flows from investing activities				
Proceeds from sale and maturities of investments	30,798	4,616	35,414	23,399
Purchase of investments	(26,684)	(6,169)	(32,853)	(23,081)
Purchase of property and equipment	(27,514)	-	(27,514)	(18,320)
Cash used in investing activities	(23,400)	(1,553)	(24,953)	(18,002)
Cash flows from financing activities				
Payment of long term debt	(3,449)	-	(3,449)	(2,433)
Payment of line of credit	(1,000)	-	(1,000)	(2,400)
Proceeds from line of credit	2,000	-	2,000	1,400
Issuance of debt	16,523	-	16,523	9,394
Proceeds from endowment contributions	-	46	46	112
Proceeds from contributions held in trust	-	423	423	256
Payments to trust beneficiaries	-	(807)	(807)	(706)
Proceeds from refundable deposits	66	-	66	15
Proceeds from refundable entrance fees	1,381	-	1,381	1,031
Proceeds from limited partner equity	-	-	-	1,566
Cash paid for syndication	-	-	-	(1,523)
Refunds of entrance fees paid	(976)	-	(976)	(2,464)
Investment income from marketable securities held in trust	-	594	594	204
Cash provided by financing activities	14,545	256	14,801	4,452
Net increase in cash and cash equivalents	1,210	565	1,775	588
Beginning of year	3,111	334	3,445	2,857
End of year	$ 4,321	$ 899	$ 5,220	$ 3,445

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

Northern California Presbyterian Homes and Services, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013
(dollars in thousands)

	2014			2013
	NCPHS	SSNC	Consolidated	Consolidated
Reconciliation of change in net assets to cash from operating activities				
Change in net assets	$ (14,765)	$ 2,253	$ (12,512)	$ 22,213
Adjustments to reconcile change in net assets to cash provided by operating activities				
Amortization of entrance fees	(14,550)	-	(14,550)	(13,870)
Depreciation	9,415	-	9,415	8,975
Amortization of prepaid rent	4	-	4	-
Amortization of deferred financing costs	99	-	99	43
Gain on interest rate swap	(422)	-	(422)	(625)
Unrealized and realized loss (gain) on investments	(1,624)	(3)	(1,627)	(8,886)
Non periodic changes in pension liability	15,503	-	15,503	(13,084)
Contribution revenue from endowment gifts	-	(5)	(5)	(85)
Change in value of split interest agreements	-	(291)	(291)	(275)
Accretion of conditional asset retirement obligation	673	-	673	826
Settlement of ARO liabilities	(1,973)	-	(1,973)	(656)
Contribution of assets	-	(371)	(371)	(18)
Change in non-controlling interest	43	-	43	(43)
Change in operating assets and liabilities				
Changes in receivables, other assets, payables and other accruals	(3,303)	71	(3,232)	1,428
Change in pledges receivable	-	208	208	(61)
Entrance fees received	20,965	-	20,965	18,256
Cash provided by operating activities	$ 10,065	$ 1,862	$ 11,927	$ 14,138
Non cash transactions				
Fixed asset additions included in accounts payable	$ 1,378	$ -	$ 1,378	$ -

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

1. Corporate Purpose and Structure

Corporate Purpose

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

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

Corporate Structure

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

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

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

NCPHS owns and operates EPA and TPT, which are low-to-moderate income rental housing facilities operated in accordance with the provisions of Sections 202 and 236 of the National Housing Act. During 2014, these facilities received approximately 75% (EPA), and 63% (TPT) of their rental revenue from the U.S. Department of Housing and Urban Development ("HUD"). During 2013, these facilities received approximately 75% (EPA), and 64% (TPT) of their rental revenue from HUD.

Until October 17, 2013, NCPHS solely owned and operated WPA, also a low-to-moderate income rental housing facility operated in accordance with the provisions of Section 202 of the National Housing Act. WPA received approximately 47% of its rental revenue from the U.S. Department of Housing and Urban Development. During 2013, the facility received approximately 44% of its rental revenue from HUD.

On March 13, 2013, Western Park Apartments, L.P. (WPA L.P.) was formed as a limited partnership to acquire, rehabilitate, own, and operate WPA. WPA L.P. is controlled by its general partner, NCPHS WPA LLC. NCPHS is the sole member of NCPHS WPA LLC.

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

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

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

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

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

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

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

On October 1, 2009, NSV began managing Kokoro Assisted Living, a 54-unit residential housing facility located in San Francisco, California.

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

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

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

All operating, administrative and fund raising expenses including employees assigned to SSNC activities are incurred by NCPHS on behalf of SSNC. NCPHS estimates that the cost of the services provided to SSNC was approximately $887 and $850 in 2014 and 2013, respectively.

Certain consolidated statement of cash flows amounts for 2013 have been revised to correct for cross footing errors. NCPHS revised the 2013 consolidated statement of cash flows to properly cross foot the consolidating NCPHS and SSNC cash flow amounts for issuance of debt and cash provided by (used in) financing activities cash flow line items. Management evaluated these errors and concluded that they are were not material to the 2013 financial statements and as such revised the consolidated amounts by increasing the previously reported issuance of debt amount of $0 to $9,394 and cash provided by (used in) financing activities from ($4,932) to $4,452. This revision had no effect on the consolidated financial position of NCPHS at December 31, 2013, the consolidated statement of revenues, expenses and other changes in unrestricted net assets, the consolidated statement of changes in net assets, and the net increase (decrease) in cash and cash equivalents within the consolidated statement of cash flows of NCPHS for the year ended December 31, 2013.

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

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

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

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

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

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

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

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

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

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

Marketable Securities and Investments Held in Trust
Equity and debt securities are carried at fair value with realized and unrealized gains and losses included in the statement of revenues, expenses and other changes in unrestricted net assets and the statement of changes in net assets. Realized gains or losses represent the difference between cost, on a first-in first-out basis, and the related market price at the sale date. A decline in the fair value of an investment in equity and debt securities that is other than temporary is accounted for as a realized loss, whereby the cost basis of the security is written down to fair value. Cash and cash

equivalents, which consist of deposits and money market funds are carried at cost, which approximates fair value because of the short-term nature of these investments.

Facilities

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

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

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

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

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

Investments Held in Trust and Liability for Payments to Trust Beneficiaries

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

Pledges Receivable

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

(dollars in thousands)

Trust Contributions Receivable
Trust contributions receivable consist of gifts made to SSNC through split-interest agreements in which SSNC is a remainderman or has a perpetual income interest as beneficiary and for which there is an external trustee. These assets are carried at fair value based upon the present value of amounts anticipated to be received, using discount rates commensurate with the expected term to receipt of the assets using a discount rate of 5.4% at December 31, 2014 and 5.7% at December 31, 2013.

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

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

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

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

On December 31, 2014 and 2013, $61,817 and $58,599 in entrance fees, respectively, were potentially subject to refund.

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

NCPHS annually evaluates the need to accrue a liability for losses related to the obligation to provide future services under continuing care contracts. A loss must be accrued if the estimated present value of the net cost of future services and use of facilities to be provided to current residents exceeds the amount of unamortized entrance fees. The obligation is equal to the present value of the estimated cash cost of providing care in excess of estimated periodic fees to be received from residents over the residents' life expectancies plus depreciation of the facilities used by residents. The obligation assumes that the annual increase in the cost of care will be 5.5% and 5.0% as of December 31, 2014 and 2013, respectively, and that the annual increase in monthly care fees will be 4.3% and 3.3% as of December 31, 2014 and 2013, respectively. For 2014 and 2013, interest rates of 4.25% and 5.00%, respectively, were used to discount the cost of providing lifetime care in excess of resident fees. Based on the above, the cost of providing lifetime care in excess of monthly resident fees was $60,628 and $70,809, on a discounted basis, and $62,175 and $77,100 on an undiscounted basis, at December 31, 2014 and 2013, respectively. Since the present value of the net cost of future services and use of facilities was less than the amount of unamortized entrance fees as of December 31, 2014 and 2013, this calculation did not result in an additional liability.

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

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

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

Investment Income
Investment income includes interest and dividend income earned on investments, net realized gains and losses on sales of investments, other temporary realized losses on investment and related investment counseling fees. Investment counseling fees were $180 and $180 for the years ended December 31, 2014 and 2013, respectively.

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

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

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

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

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

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

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

(dollars in thousands)

3. Marketable Securities

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

	2014	2013
Cash equivalents	$ 1,843	$ 936
U.S. Government securities	1,154	1,007
Common stocks	22,828	24,653
Corporate fixed income securities	2,809	2,123
Equity mutual funds	17,567	19,412
Fixed income mutual funds	28,731	27,433
	$ 74,932	$ 75,564

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

	2014	2013
Interest income	$ 855	$ 1,090
Net realized gains on sales of investments	6,171	4,541
Other than temporary impairment on investments	(730)	(267)
	$ 6,296	$ 5,364

(dollars in thousands)

4. Facilities

Facilities at December 31, 2014 and 2013 consist of the following:

	2014	2013
Continuing Care Facilities		
Sequoias - SF		
Land	$ 661	$ 661
Building and building equipment	84,018	79,687
Equipment and furniture	5,486	5,572
Less: Accumulated depreciation	(48,789)	(45,571)
	41,376	40,349
Sequoias - PV		
Land	303	303
Building and building equipment	71,178	70,236
Equipment and furniture	5,371	5,104
Less: Accumulated depreciation	(30,630)	(28,336)
	46,222	47,307
Tamalpais - RVH		
Land	850	850
Building and building equipment	49,561	47,106
Equipment and furniture	6,885	6,633
Less: Accumulated depreciation	(34,336)	(32,510)
	22,960	22,079
Continuing care facilities, net	110,558	109,735

(dollars in thousands)

	2014	2013
Residential housing		
Eastern Park Apartments		
Land	451	451
Building and building equipment	11,090	10,914
Equipment and furniture	969	1,004
Less: Accumulated depreciation	(7,224)	(6,954)
	5,286	5,415
Town Park Towers		
Land	1,400	1,400
Building and building equipment	10,749	10,436
Equipment and furniture	1,354	1,223
Less: Accumulated depreciation	(8,218)	(7,906)
	5,285	5,153
Residential housing, net	10,571	10,568
Other facilities		
The Woods		
Land	735	735
Building and building equipment	5,590	5,293
Equipment and furniture	427	374
Less: Accumulated depreciation	(3,034)	(2,915)
	3,718	3,487
Corporate Office		
Land	1,000	500
Building and building equipment	2,078	750
Equipment and furniture	7,214	6,903
Less: Accumulated depreciation	(5,984)	(5,981)
	4,308	2,172
SFSC		
Equipment and furniture	471	544
Less: Accumulated depreciation	(386)	(453)
	85	91
NSV		
Building and building equipment	465	-
	465	-
WPA L.P.		
Land	425	153
Building and building equipment	28,853	13,045
Equipment and furniture	401	836
Less: Accumulated depreciation	(4,966)	(4,812)
	24,713	9,222
Other facilities, net	33,289	14,972
Total facilities, net	$ 154,418	$ 135,275

(dollars in thousands)

Total depreciation expense for the years ended December 31, 2014 and 2013, is $9,415 and $8,975, respectively.

Construction-in-progress of $10,550 and $12,011 are included in building and building equipment, and equipment and furniture above, as of December 31, 2014 and 2013, respectively. Depreciation on these amounts will commence at the time the related assets are placed into service.

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

	2014	2013
Beginning balance	$ 7,114	$ 6,944
Accretion expense	673	825
Changes in estimated cash flows	(673)	(319)
Liabilities settled in the current period	(1,300)	(336)
Ending balance	$ 5,814	$ 7,114

5. Investments Held in Trust

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

	2014	2013
Cash equivalents	$ 259	$ 416
Fixed income mutual funds	4,400	4,227
Equity mutual funds	8,276	8,198
Corporate and government bonds	74	99
	$ 13,009	$ 12,940

6. Pledges Receivable

Pledges receivable were due as follows as of December 31:

	2014	2013
Current portion	$ 7	$ 91
Less: Allowance	-	(5)
Total current portion	$ 7	$ 86
Greater than one year to five years	$ 335	$ 545
Greater than five years to twenty years	125	125
	460	670
Less: Allowance	(23)	(33)
Less: Unamortized discount at 0.62% to 7.00%	(58)	(88)
Total noncurrent portion	$ 379	$ 549

(dollars in thousands)

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

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

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

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

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

Net Operating Income Reserve
Commencing on November 1, 2013 and continuing on the first day of each month thereafter until the earlier of the conversion date in 2015, or the date upon which the balance in the reserve reaches $161, WPA L.P. is required to deposit no less than $11 each month into the reserve. The reserve shall be held by Citibank until the conversion date. At conversion, Citibank shall apply amounts held in the reserve to principal, interest, and any other amounts due under the terms of the loan agreement. Following the completion of the rehabilitation of the project, Citibank may elect, at its sole discretion, to disburse the funds in the reserve to WPA L.P. to pay costs and expenses of the rehabilitation or to pay principal, interest, or any other amounts due under the terms of the loan agreement.

Earnings attributable to these investments accrue to the facility. As of December 31, 2014 and 2013, the investments consisted of the following:

	2014	2013
Cash and certificates of deposits	$ 3,126	$ 3,367
United States Treasury securities	933	925
	$ 4,059	$ 4,292

(dollars in thousands)

8. Limited Use Assets

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

	2014	2013
California Health Facilities Financing Authority		
Revenue Bond Series 1998		
Principal and interest fund	$ 886	$ 888
Revenue Bond Series 2004		
Principal and interest fund	800	776
	1,686	1,664
Less: Current portion	(1,686)	(1,664)
	$ -	$ -

The composition of limited use assets at December 31, 2014 and 2013 consisted solely of cash and cash equivalents.

(dollars in thousands)

9. Long-Term Debt and Line of Credit

Long-term debt comprises the following at December 31:

	2014	2013
Continuing care facilities		
California Health Facilities Financing Authority Revenue Bond Series 2004 Tax-exempt Variable Rate Demand Revenue Bonds ("2004 Revenue Bonds"). Payable through 2030, collateralized by Union Bank Letter of Credit; interest fixed at 3.25%	$ 33,900	$ 35,000
California Health Facilities Financing Authority Revenue Bond Series 1998, Term Bonds due 2018, interest at 5.1% totaling $3,545; and term bonds due 2028, interest at 5.4% totaling $12,865, principal and interest paid semi-annually, collateralized by a pledge of gross revenues of NCPHS's operations.	16,410	17,195
Continuing care facilities	50,310	52,195
Residential housing		
Eastern Park Apartments		
HUD payable though 2020 in monthly installments of $51 including net interest at 6.9%, collateralized by a first deed of trust on EPA real estate.	2,674	3,091
HUD Flexible Subsidy Residual Receipts Note, principal and accumulated interest at 1.0% due 2013, collateralized by a first deed of trust on TPT real estate.	-	1,147
Heritage Bank (Housing Trust of Silicon Valley) - Town Park Towers predevelopment loan - $2,000 principal and accumulated interest at 4.75% due 2017, collateralized by a first deed of trust on TPT real estate.	1,230	-
Western Park Apartments L.P.		
Citibank construction loan, interest only at 2.37% through the earlier of October 1, 2015 or completion of construction, thereafter payable in monthly installments of $86 payable through October 1, 2045 including interest at 5.81%, collateralized by a first deed of trust on WPA L.P. real estate.	25,453	9,394
Residential housing	29,357	13,632
Total debt	79,667	65,827
Less: Current portion	3,597	3,449
Total long-term debt	$ 76,070	$ 62,378

(dollars in thousands)

Scheduled principal payments on long-term debt, assuming remarketing of the 2004 Revenue Bonds, are as follows:

2015	$	3,597
2016		2,543
2017		2,617
2018		2,803
2019		2,842
Thereafter		65,265
	$	79,667

The scheduled principal payments above represent the annual payments required under debt repayment schedules. The current portion of long-term debt obligations includes payments scheduled to be made in 2015.

NCPHS's most restrictive loan covenants are those associated with the mortgages collateralized by its residential facilities which require these facilities to be operated in accordance with regulations established by HUD. HUD requires that NCPHS establish replacement accounts for the facilities subject to HUD loans (Note 7), sets upper limits on residents' income levels, requires that NCPHS submit annual budgets for approval, and approves the annual rent increases in addition to setting other residential guidelines to which NCPHS must adhere. As of December 31, 2014, NCPHS was in compliance with all debt covenants.

The 2004 bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on at least seven days' notice and delivery to the remarketing agent. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate. With the consent of the credit enhancement provider, NCPHS can direct California Health Facilities Financing Authority ("CHFFA") to convert the bonds to accrue interest at an auction rate or a fixed rate.

In the event the remarketing agent is not able to sell the repurchased 2004 bonds, NCPHS has obtained a bank letter of credit which was issued to ensure repayment of the bonds to the holders and to enhance the credit rating and marketability of the bonds. Union Bank (UBOC) issued the letter of credit on August 23, 2013. The current rate is 1.25%. The letter of credit is valid through August 31, 2017. The terms of the letter of credit require NCPHS to redeem, within 365 days, any bonds purchased by UBOC due to the remarketing agent's failure to sell the bonds.

Under the terms of the various agreements entered into in connection with the issuance of the 1998 and 2004 bonds, NCPHS must comply with certain covenants including maintenance of corporate existence; maintenance of records and filing of financial statements; payment of taxes, utilities and other charges; maintenance of tax-exempt status of interest on the bonds. In addition, the letter of credit agreement contains various covenants, the most restrictive of which are maintaining a debt service coverage ratio (as defined) of at least 1.25 and requiring NCPHS to notify the bank of an adverse event that impairs or is likely to impair repayment or performance by NCPHS in an amount in excess of $5,000. As of December 31, 2014, NCPHS was in compliance with all debt covenants.

Management believes the definition of material adverse event and other clauses within the letter of credit agreement do not constitute subjective acceleration clauses as defined under the provisions of debt presentation authoritative guidance (ASC 470-10-45). NCPHS is therefore not required to present the portion of the 2004 bonds due after 2014 as a current liability as of December 31, 2014.

(dollars in thousands)

As of December 31, 2014, there were no unspent bond proceeds.

On October 17, 2013, Citibank funded a loan on behalf of the City and County of San Francisco (tax exempt Bond issuer and governmental lender) in the amount of $28,778. WPA L.P. entered into an agreement with Citibank to borrow up to the $28,778 to fund WPA renovations. Funds are released periodically as renovations proceed and paid invoices are submitted to Citibank for reimbursement. As of December 31, 2014 NCPHS has borrowed $25,453 against the loan agreement (see above for the loan terms). Renovations have been completed in 2014, with renovation costs exceeding the total loan amount. NCPHS intends to borrow the remaining loan balance of $3,325 once final invoices have been paid. The most restrictive covenants under this loan are associated with compliance with the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California and with the provisions of Section 202 of the National Housing Act.

Interest Rate Swap

NCPHS entered into an interest rate swap agreement in 2007 with a financial institution that involves the exchange of fixed interest rate payments at the rate of 3.2% on an amount equal to $16,950 as of December 31, 2014 in exchange for floating interest rate payments that equal 65% of USD-LIBOR-BBA. On February 12, 2015, NCPHS terminated the agreement and paid $1,024 to fulfill the obligation and terminate the agreement.

The fair value of the interest rate swap is the estimated amount that NCPHS would currently pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparty. As of December 31, 2014 and 2013, the estimated change in fair value of the interest rate swap for each year, the gain (loss) on the interest rate swap, and the estimated fair value of the interest rate swap liability are as follows:

Balances related to interest rate swap	Location in financial statements	2014	2013
Change in fair value of interest rate swap	Gain on interest rate swap in the Statement of Revenues, Expenses and Other Changes in Unrestricted Net Assets	$ 422	$ 625
Net payments with counterparty	Interest expense in the Statement of Revenues, Expenses and Other Changes in Unrestricted Net Assets	538	551
Fair value of interest rate swap	Other long-term liabilities in the Balance Sheet	1,087	1,509

Line of Credit

NCPHS has lines of credit in the amount of $6,000 in 2014 and 2013 with a bank, of which $4,000 is collateralized by a gross revenue pledge and $2,000 is unsecured. The lines of credit renew annually each July. At December 31, 2014 and December 31, 2013, NCPHS had an outstanding balance of $2,000 and $1,000, respectively.

(dollars in thousands)

NCPHS has stand-by letters of credit totaling approximately $2,709 and $3,222 to collateralize its obligations under a high deductible workers compensation program as of December 21, 2014 and 2013, respectively, from the same bank that issued the lines of credit described above. No amounts were outstanding as of December 31, 2014 and 2013. The stand-by letters of credit restrict the availability of the lines of credit in that the total amount available at any one time from the letters of credit and lines of credit cannot exceed $6,000.

NCPHS is required to provide written notification to the bank of any material adverse change in its financial condition or operation. There were no such changes in 2014 and 2013.

10. Fair Value of Financial Instruments

The fair values of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2014 and 2013:

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

	2013			
	Total Fair Value	**Quoted Prices in Active Markets (Level 1)**	**Other Observable Inputs (Level 2)**	**Un-observable Inputs (Level 3)**
Assets Measured at Fair Value on a Recurring Basis (1)				
Marketable Securities (2)				
Unrestricted	$ 75,564	$ 75,564		
Investments Contractually Limited for Replacement	4,292	4,292		
Investments held in trust	12,940	12,940		
Trust Contributions Receivable (3)	539	-		539
	$ 93,335	$ 92,796	$ -	$ 539
Liabilities Measured at Fair Value on a Recurring Basis				
Interest rate swap (4)	$ 1,509	$ -	$ 1,509	$ -

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

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

(dollars in thousands)

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

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

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

The change in the fair value of trust contributions receivable is reflected in the change in value of split-interest agreements for temporarily and permanently restricted net assets in the consolidated statements of changes in net assets. The valuation technique utilizes published actuarial life expectancies ranging from 2.53 to 13.76 years, and discount rates ranging from 5.0% to 5.4% as of December 31, 2014. The change in value of the trust contributions receivable valued using significant unobservable inputs (Level 3) is shown below:

Fair value at December 31, 2013	$	539
New contributions		185
Maturities		(4)
Total net unrealized gains included in changes in net assets		409
Total net realized losses included in changes in net assets		(385)
Fair value at December 31, 2014	$	744
Total gains (losses) for the year included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2014	$	(74)

Fair value at December 31, 2012	$	529
New contributions		32
Maturities		(108)
Total net unrealized gains included in changes in net assets		818
Total net realized losses included in changes in net assets		(732)
Fair value at December 31, 2013	$	539
Total gains (losses) for the year included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2013	$	(175)

(dollars in thousands)

NCPHS, on a nonrecurring basis, is required to measure unconditional promises to give (pledges), the liability for payments to trust beneficiaries, and liabilities associated with asset retirement obligations. None of the above fair value instruments were remeasured during the year. Pledges are estimated at fair value during the period received based on the present value of expected future cash flows using the discount rate adjustment technique. The valuation technique utilizes published actuarial life expectancies ranging from 0 to 7.7 years, and discount rates ranging from 0.6% to 7.0% as of December 31, 2014. Liabilities for payments to trust beneficiaries are estimated at fair value at the time the related trust assets are received based on the present value of estimated future payments over the expected life of income beneficiaries using the discount rate adjustment technique. The valuation technique utilizes published actuarial life expectancies ranging from 2.3 to 15.1 years, and discount rates ranging from 0.6% to 6.8% as of December 31, 2014. Liabilities associated with asset retirement obligations are estimated at fair value based on discount rates ranging from 4.9% to 6.3%, and inflation rate of 3.0% and 3.5%.

Fair Value of Debt Instruments
For the 2004 Revenue Bonds, the carrying value approximates fair value as the interest rates are adjusted on a weekly basis and fluctuate with changes in market rates. The fair value of NCPHS's fixed rate debt, based on quoted market prices (Level 2) is $16,459 and $18,220 at December 31, 2014 and 2013, respectively.

The fair value of the EPA debt is $2,944 and $3,506 at December 31, 2014 and 2013, respectively. It matures in 2020. The fair value is based on a conventional discounted cash flow methodology and utilizes assumptions of current borrowing rates. For all other debt, including the TPT debts and the outstanding lines of credit, the carrying value approximates fair value.

11. Pension Plan

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

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

	2014	2013
Projected benefit obligation at December 31	$ (75,502)	$ (59,579)
Fair value of plan assets at December 31	57,176	54,357
Funded status	$ (18,326)	$ (5,222)

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

	2014	2013
Pension liability	$ 18,326	$ 5,222
Noncurrent liability	$ 18,326	$ 5,222

(dollars in thousands)

The accumulated benefit obligation is $68,908 and $56,284 as of December 31, 2014 and 2013, respectively.

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

	2014	2013
Weighted-average assumptions used to determine benefit obligations		
Discount rate	4.00%	5.00%
Rate of compensation increase	3.00%	3.00%
Weighted-average assumptions used to determine net periodic benefit cost for years ended		
Discount rate	5.00%	4.25%
Expected long-term return on plan assets	7.25%	7.25%
Rate of compensation increase	3.00%	3.00%

Net periodic pension cost for 2014 and 2013 was determined by an independent actuary and is calculated using a prescribed attribution method, based on acceptable actuarial assumptions, which are adjusted periodically to reflect actual experience. NCPHS uses a December 31 measurement date for the above defined benefit plan. Pension cost is summarized as follows:

	2014	2013
Benefits cost	$ 1,052	$ 3,172
Employer contributions	2,400	3,600
Benefits paid	1,828	1,666

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

	2014	2013
Service cost	$ 2,022	$ 2,254
Interest cost	2,923	2,620
Expected return on plan assets	(3,943)	(3,185)
Amortization of prior service cost	3	11
Amortization of net loss	47	1,472
Net periodic benefit cost	$ 1,052	$ 3,172

(dollars in thousands)

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

	2014	2013
Net actuarial loss	$ 20,815	$ 6,361
Prior service cost	-	3
	$ 20,815	$ 6,364

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

	2014	2013
Net actuarial (gains) losses	$ 14,501	$ (11,600)
Amortization of actuarial gains (losses)	(47)	(1,472)
Amortization of prior service costs	(3)	(12)
	$ 14,451	$ (13,084)

The net actuarial losses and prior service costs expected to be recognized as other changes in unrestricted net assets during the fiscal year ended December 31, 2015 are as follows:

Net actuarial losses	$ 1,398
Prior service costs	-
	$ 1,398

Projected benefits payments for the plan are as follows:

2015	$ 2,538
2016	2,846
2017	3,163
2018	3,332
2019	3,526
2020-2024	20,090

NCPHS expects to contribute $3,000 to its pension plan in 2015.

(dollars in thousands)

Plan assets are invested with an appointed custodian. The contract with the custodian allows for investments in equity, money market, mutual fund and real estate investments under the direction of NCPHS. Plan assets are invested with the objective of achieving a long-term rate of return of 7.25%. This is achieved through investment in a mix of equity and fixed income investments, with targeted allocations of 70% equity instruments and 30% fixed income instruments. Over time, equity investments are expected to return 8.25%, while fixed income investments are expected to return 5.0%. This produces an expected composite long term return on investment of 7.25%. Plan assets as of December 31, 2014 and 2013 were invested as follows:

	2014	2013
Cash and cash equivalents	$ 1,414	$ 2,036
Common stocks	24,782	23,099
Equity mutual funds	16,522	16,402
Fixed income mutual funds	14,458	12,820
	$ 57,176	$ 54,357

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

For 2014 and 2013, plan assets are stated at fair value using level 1 inputs within the fair value hierarchy. Cash equivalents and mutual funds are valued at quoted market prices on an exchange and active markets. Common stocks are valued at the last sale price on the last business day of the Plan year, as quoted on a recognized exchange or an industry standard pricing service.

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

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

(dollars in thousands)

12. Endowments

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

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

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

Donor-restricted endowment funds	**2014**	**2013**
Temporarily restricted	$ 3,509	$ 2,536
Permanently restricted	5,768	5,747
	$ 9,277	$ 8,283

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

	Temporarily Restricted	**Permanently Restricted**	**Total**
Endowment net assets, December 31, 2013	$ 2,536	$ 5,747	$ 8,283
Investment return:			
Investment income (loss)	311		311
Net appreciation (realized and unrealized)	214		214
Total investment return	525	-	525
Contributions	-	21	21
Appropriation of endowment assets for expenditure	(6)	-	(6)
Other	454	-	454
Endowment net assets, December 31, 2014	$ 3,509	$ 5,768	$ 9,277

(dollars in thousands)

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2012	$ 2,612	$ 5,622	$ 8,234
Investment return:			
Investment income (loss)	165		165
Net appreciation (realized and unrealized)	258		258
Total investment return	423		423
Contributions	-	125	125
Appropriation of endowment assets for expenditure	(499)	-	(499)
Endowment net assets, December 31, 2013	$ 2,536	$ 5,747	$ 8,283

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

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires NCPHS to retain as a fund of perpetual duration. The organization had no deficiencies of this nature in its endowment funds, as of December 31, 2014 and December 31, 2013.

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

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

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

13. Commitments and Contingencies

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

As of December 31, 2014, NCPHS had a number of capital projects ongoing. NCPHS has entered into various contracts in relation to these capital projects. The total commitment as of December 31, 2014 is $4,379.

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

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to the matters such as licensure, accreditation, government healthcare program participation requirements, and Medicare fraud and abuse.

14. Subsequent Events

On April 15, 2015, NCPHS issued $63.2 million of Series 2015 Revenue Bonds to refinance $50.3 million remaining on its California Health Facilities Financing Authority (CHFFA) Revenue Bonds Series 1998 and Series 2004 and fund $12.9 million of capital improvements to two of its CCRCs. The bond payments will be secured by all assets and revenues of NCPHS with the exception of SSNC and affordable housing.

The Series 2015 Bonds will be insured through Cal Mortgage. Semi-annual interest payments to bondholders will begin on July 1, 2015. Annual principal payments will be made to bondholders beginning on July 1, 2015.

In January 2015, NCPHS executed an agreement for an affiliation (the "Affiliation") with JTM, a California nonprofit public benefit corporation ("JTM"), and Episcopal Senior Communities ("ESC"), a California nonprofit public benefit corporation headquartered in Walnut Creek, California, of which JTM is the sole member. ESC operates five continuing care retirement communities, and other affiliates of JTM operate a sixth continuing care retirement community and four affordable senior housing facilities, all located in Northern California. NCPHS management believes that the organizations have compatible missions and together can seek ways to optimize shared strengths to realize operating efficiencies and economies of scale, while diversifying future risk. NCPHS management expects to implement, over time, shared governance and management, although the organizations will retain financial and operational autonomy. Under the terms of the Affiliation, JTM will become the sole member of NCPHS. NCPHS will not assume any obligations of JTM or ESC in connection with the Affiliation. It is expected that the Affiliation will be accomplished, after approval by the California Attorney General and Department of Social Services and by the California Office of Statewide Health Planning and Development (OSHPD).

SSNC borrowed $10.0 million on January 26, 2015 in connection with the purchase of a parcel of land in Walnut Creek. NCPHS has agreed to provide funding to SSNC for interest payments on the loan. The loan bears interest at LIBOR plus 1.80% with principal due at the maturity date of December 31, 2017.

NCPHS has conducted an evaluation of subsequent events through May 13, 2015, the date the financial statements were available to be issued. No other subsequent events were noted.

Independent Auditor's Report on Supplementary Information – Community Services

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

We have audited the consolidated financial statements of Northern California Presbyterian Homes and Services, Inc. and related entities as of December 31, 2014 and 2013 and for the years then ended and our report thereon appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The community service information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

PricewaterhouseCoopers LLP

May 13, 2015

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Northern California Presbyterian Homes and Services, Inc.
Community Service Information
December 31, 2014 and 2013
(dollars in thousands) (Unaudited)

The following reflects the expenditures made by Northern California Presbyterian Homes and Services, Inc. ("NCPHS") net of amounts funded by grants and other donation support for the years ended December 31, 2014 and 2013:

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

	Program Expense	User Fees & Government Grants	Unsponsored Cost	Donation Support	Net Community Benefit 2013
Residential Financial Support	$ 469	$ -	$ 469	$ (469)	$ -
Meals Program	34	(13)	21	(4)	17
Living at Home Program	908	(764)	144	(101)	43
ROSS Grant	566	(501)	65	(70)	(5)
Coming of Age					
RSVP	352	(226)	126	(39)	87
Life Long Learning	22	(4)	18	(3)	15
Experience Corp Marin	223	(125)	98	(25)	73
Training for Disabled	36	-	36	-	36
Well Elder	18	-	18	-	18
San Francisco Senior Center	2,587	(2,166)	421	(200)	221
	$ 5,215	$ (3,799)	$ 1,416	$ (911)	$ 505

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

- A meals program, which serves meals in senior housing settings.
- A Living at Home Program, which includes the Resident Opportunities for Self-Sufficiency (ROSS) program, whose social workers assist over 2,000 persons annually in primarily low-income settings in San Francisco and Santa Clara counties.
- Corporate sponsorship of Coming of Age - Bay Area, which is supported with a RSVP grant. Coming of Age helps people ages 50 and over make rewarding transitions to the next phase of life by providing pathways to explore passions, plan for future, become community leaders, pursue lifelong learning and engage in meaningful service. Coming of Age offers Learning Labs, workshops for nonprofits that seek to enhance their capacity to capture the energy and expertise of volunteers ages 50 and over.
- Experience Corps Marin, which taps the skills of over 50 older adults to provide academic support to about 800 students in 5 San Rafael elementary schools.

- AARP (formerly American Association of Retired Persons) Experience Corps Marin, which taps the skills of 100 older adults to provide academic support to about 1000 students in 6 Marin County elementary schools.
- In collaboration with the ARC (formerly Aid to Retarded Citizens) of San Francisco, NCPHS provides work and training opportunities for developmentally disabled persons in San Francisco.
- Well Elder, a project to provide health and social services in a cost-effective and humane manner for seniors, which assists 600 persons in three of the residential housing communities through direct service and education/health screening programs.
- San Francisco Senior Center includes a seven day a week meal site, a transitional care program, a senior activities program, a fitness and wellness program, computer tutoring and fine arts classes.

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**Independent Auditor's Report
on Supplementary Information**

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

We have audited the consolidated financial statements of Northern California Presbyterian Homes and Services, Inc. as of December 31, 2014 and 2013 and for the years then ended and our report thereon appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary financial information on pages 39 through 41 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

May 13, 2015

Northern California Presbyterian Homes and Services, Inc.
Details of Operations
Sequoias – San Francisco
For the year ended December 31, 2014
(dollars in thousands)

	2014	2013
Operating revenues and support		
Resident fees	$ 16,416	$ 15,541
Amortization of entrance fees	5,491	5,266
Fees for services and other income	3,367	2,082
Investment income including realized gains and losses on investments	0	0
Total operating revenues and support	25,274	22,889
Expenses		
Program expenses		
Housing		
Program	5,305	4,988
Interest expense	825	872
Depreciation	3,497	3,334
Food service	4,805	4,609
Health care	7,196	6,082
Other program services	2,978	2,992
	24,606	22,877
Program support expense		
Administration	1,730	1,987
Total expenses	26,336	24,864
Change in unrestricted net assets from operations	(1,062)	(1,975)
Other Changes		
Grants used for programs and facilities	194	2,221
Change in unrestricted net assets	$ (868)	$ 246

Northern California Presbyterian Homes and Services, Inc.
Details of Operations
Sequoias – Portola Valley
For the year ended December 31, 2014
(dollars in thousands)

	2014	2013
Operating revenues and support		
Resident fees	$ 14,867	$ 14,417
Amortization of entrance fees	4,612	4,564
Fees for services and other income	4,229	3,806
Investment income including realized gains and losses on investments	0	0
Total operating revenues and support	23,708	22,787
Expenses		
Program expenses		
Housing		
Program	5,151	4,712
Interest expense	584	626
Depreciation	2,429	2,353
Food service	4,462	3,993
Health care	6,342	6,351
Other program services	3,306	2,962
	22,274	20,997
Program support expense		
Administration	1,681	1,929
Total expenses	23,955	22,926
Change in unrestricted net assets from operations	(247)	(139)
Other Changes		
Grants used for programs and facilities	96	220
Change in unrestricted net assets	$ (151)	$ 81

Northern California Presbyterian Homes and Services, Inc.
Details of Operations
Sequoias - Tamalpais
For the year ended December 31, 2014
(dollars in thousands)

	2014	2013
Operating revenues and support		
Resident fees	$ 15,260	$ 14,693
Amortization of entrance fees	4,447	4,040
Fees for services and other income	1,940	1,690
Investment income including realized gains and losses on investments	0	0
Total operating revenues and support	21,647	20,423
Expenses		
Program expenses		
Housing		
Program	4,908	4,664
Interest expense	483	510
Depreciation	2,123	1,944
Food service	4,116	3,995
Health care	5,632	5,894
Other program services	2,757	2,790
	20,019	19,797
Program support expense		
Administration	1,680	1,929
Total expenses	21,699	21,726
Change in unrestricted net assets from operations	(52)	(1,303)
Other Changes		
Grants used for programs and facilities	277	234
Change in unrestricted net assets	$ 225	$ (1,069)

Part 5

Independent Auditor's Report

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

Report on the Continuing Care Reserve Report

We have audited the accompanying Continuing Care Reserve Report Part 5 ("Reports") of Northern California Presbyterian Homes and Services, Inc. ("NCPHS") as of December 31, 2014 and the related note.

Management's Responsibility on the Continuing Care Reserve Report

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the Reports referred to above present fairly, in all material respects, the liquid reserve requirements of NCPHS as of December 31, 2014, in conformity with the report preparation provisions of the California Health and Safety Code section 1792 as described in Note 1.

Basis of Accounting

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

Restriction on Use

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

PricewaterhouseCoopers LLP

May 13, 2015

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	07/29/98	$785,000	$935,701	$0	$1,720,701
2	03/01/72	$955,863	$0	$0	$955,863
3	03/01/80	$416,817	$199,521	$0	$616,338
4	01/01/94	$191,227	$4,828	$0	$196,055
5	09/14/04	$1,100,000	$611,975	$420,182	$2,132,157
6	Line of Credit	$0	$57,326	$0	$57,326
7	10/17/13	$0	$419,660	$0	$419,660
8					$0
		TOTAL:	$2,229,011	$420,182	$6,098,100

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

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

PROVIDER: Northern California Presbyterian Homes & Services, Inc.

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1	06/30/14	$9,883	$0	0	$0
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:	$9,883	$0	0	$0

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

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

PROVIDER: Northern California Presbyterian Homes & Services, Inc.

FORM 5-3

CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$6,098,100
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:**	$6,098,100

PROVIDER: Northern California Presbyterian Homes & Services, Inc.

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$26,335,756
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$824,663	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)		
	c.	Depreciation	$3,497,486	
	d.	Amortization		
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract		
	f.	Extraordinary expenses approved by the Department		
3		Total Deductions		$4,322,149
4		Net Operating Expenses		$22,013,607
5		Divide Line 4 by 365 and enter the result.		$60,311
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$4,523,344

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

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$23,954,386
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$583,952	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)		
	c.	Depreciation	$2,428,955	
	d.	Amortization		
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract		
	f.	Extraordinary expenses approved by the Department		
3		Total Deductions		$3,012,907
4		Net Operating Expenses		$20,941,479
5		Divide Line 4 by 365 and enter the result.		$57,374
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$4,303,044

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

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$21,699,934
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$482,787	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)		
	c.	Depreciation	$2,122,529	
	d.	Amortization		
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract		
	f.	Extraordinary expenses approved by the Department		
3		Total Deductions		$2,605,316
4		Net Operating Expenses		$19,094,618
5		Divide Line 4 by 365 and enter the result.		$52,314
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$3,923,552

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

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Northern California Presbyterian Homes & Services, Inc.
Fiscal Year Ended: 12/31/2014

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2014 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	$6,098,100
[2]	Operating Expense Reserve Amount	$12,749,940
[3]	**Total Liquid Reserve Amount:**	$18,848,040

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

	Qualifying Asset Description	Amount: Debt Service Reserve		Amount: Operating Reserve
[4]	Cash and Cash Equivalents	$282,623		$282,623
[5]	Investment Securities	$11,078,041		$11,078,041
[6]	Equity Securities	$15,388,537		$15,388,537
[7]	Unused/Available Lines of Credit			
[8]	Unused/Available Letters of Credit			
[9]	Debt Service Reserve			(not applicable)
[10]	Other: (describe qualifying asset)			
	Listed for Reserve Obligation: [11]	$26,749,201	[12]	$26,749,201
	Reserve Obligation Amount: [13]	$6,098,100	[14]	$12,749,940
	Surplus/(Deficiency): [15]	$20,651,101	[16]	$13,999,261

Signature:

(Authorized Representative)

Date: 4/28/2015

VP of Finance
(Title)

Northern California Presbyterian Homes and Services, Inc.

Form 5-5

Additional Disclosures

Status Description and Amount of Reserves:

NCPHS's reserves consist of cash and cash equivalents of $4,321,291 and marketable securities of $53,498,090 totaling $57,819,381. NCPHS targets an allocation of approximately 50% for equity investments for its marketable securities.

Per capita costs

The per capita cash cost of care excluding interest and depreciation expense for NCPHS's facilities for 2014 was as follows:

Sequoias San Francisco	$67,630
Sequoias Portola Valley	$70,156
Tamalpais	$61,895

Funds accumulated for specific projects and/or contingencies

NCPHS had accumulated cash and marketable securities totaling $57,819,381 as of December 31, 2014. While $50,464,781 of these funds have not been designated for specific needs or projects, they are generally available to respond to contingencies; provide funding for projects which are internally financed and support NCPHS's efforts to grow and serve more seniors consistent with its tax exempt purpose.

In 2014, NCPHS's cash flow from operations including entrance fees was sufficient to cover its activities so accumulated cash and marketable securities were not required to fund projects. Projects in excess of $250,000 completed in 2014 were as follows:

Sequoias San Francisco

Apartment renovations	$ 309,612
Electrical system upgrade	$ 3,481,259

Sequoias Portola Valley

Apartment upgrades	$	214,842
Main building remodel	$	253,939

Tamalpais

Chiller replacement	$	1,361,653
Independent living lounge remodel	$	356,961
Dining room refurbishment	$	246,811
Balcony enclosures	$	268,272

Projects included in the 2015 capital budget which are greater than $250,000 include the following:

Sequoias San Francisco

Replace air cooled chiller	$	263,218
Health Center Atrium dining room refresh	$	605,722
Apartment renovations	$	760,408
Staff served buffet line	$	330,000

Sequoias Portola Valley

Roof replacement Health Center	$	350,400
Roof replacement main bldg & Hanson Hall	$	425,199
Apartment renovations	$	401,576
Health Center kitchen remodel	$	600,593
Nurses Station remodel	$	375,942

Tamalpais

Plaza waterproofing	$	556,017
Exterior walls waterproofing	$	430,209
Electrical upgrade	$	1,420,251
Chiller replacement	$	2,002,258
Dining room renovation	$	311,025

NCPHS completed a financing in 2015 to refinance outstanding debt and provide funding for the SSF electrical, Tam chiller and Tam electrical projects. The remaining proceeds may require use of accumulated cash and marketable securities if current cash flow is not sufficient.

In 2013, Senior Services of Northern California entered into an agreement to purchase land for the potential development of a new Continuing Care Retirement Community. NCPHS has agreed to provide funding to SSNC to make debt payments in connection with the land purchase. NCPHS also intends to spend up to $3.0 million from internal reserves for initial exploration of the feasibility of the project. Expenditures of $465,007 were incurred in 2014.

Northern California Presbyterian Homes and Services, Inc.
Note 1 to the Continuing Care Reserve Report (Part 5)
For the year ended December 31, 2014

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

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

- The amount the provider is required to hold as a debt service reserve under Section 1792.3

- The amount the provider must hold as an operating expense reserve under Section 1792.4.

In accordance with the Code, the Organization has computed its liquid reserve requirement as of December 31, 2014, the Organization's most recent fiscal year end, and the reserve is based on audited financial statements for the period.

Part 6

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4/23/2015

FACILITY NAME: SEQUOIAS - SAN FRANCISCO

ADDRESS: 1400 GEARY BOULEVARD, SAN FRANCISCO, CA ZIP CODE: 94109 PHONE: 415-922-9700

PROVIDER NAME: NCPHS FACILITY OPERATOR: NCPHS

RELATED FACILITIES: 6 RELIGIOUS AFFILIATION: PRESBYTERIAN

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

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:	63	ASSISTED LIVING:	19
APARTMENTS – 1 BDRM:	139	SKILLED NURSING:	50
APARTMENTS – 2 BDRM:	68	SPECIAL CARE:	18
COTTAGES/HOUSES:	0	DESCRIPTION:	MEMORY CARE
RLU OCCUPANCY (%) AT YEAR END:	89.6%		

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

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

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

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

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

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

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

FACILITY SERVICES AND AMENITIES

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

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

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

PROVIDER NAME: NCPHS

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
SEQUOIAS - SAN FRANCISCO*	SAN FRANCISCO, CA	415-922-9700
SEQUOIAS - PORTOLA VALLEY*	PORTOLA VALLEY, CA	650-851-1501
TAMALPAIS*	GREENBRAE, CA	416-461-2300

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)
THE WOODS	LITTLE RIVER, CA	707-937-0294

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

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)
WESTERN PARK APARTMENTS	SAN FRANCISCO, CA	415-922-5436
EASTERN PARK APARTMENTS	SAN FRANCISCO, CA	415-776-0114
TOWN PARK TOWERS	SAN JOSE, CA	408-288-8750

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

PROVIDER NAME: NCPHS

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$62,699	$65,484	$71,927	$74,518
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	69,467	71,408	75,872	75,783
NET INCOME FROM OPERATIONS	(6,768)	(5,924)	(3,945)	(1,265)
LESS INTEREST EXPENSE	2,399	2,293	2,296	2,533
PLUS CONTRIBUTIONS	1,595	2,094	4,132	1,799
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	(13,171)	3,685	16,852	(18,322)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$(20,743)	$(2,438)	$14,743	$(20,321)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$16,977	$23,067	$16,675	$21,370

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CITIBANK-HUD	$25,452,792	2.37%	2013	2043	35 YEARS
CHFFA BONDS	$33,900,000	VARIABLE	2004	2034	30 YEARS
CHFFA BONDS	$16,410,000	5.1%-5.4%	1998	2028	30 YEARS

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO		29.40%	30.89%	34.09%
OPERATING RATIO		111.60%	107.77%	104.17%
DEBT SERVICE COVERAGE RATIO		3.81	2.59	3.85
DAYS CASH ON HAND RATIO		263.54	278	261

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO	$3,434	3.0%	$3,537	3.8%	$3,670	3.7%	$3,805
ONE BEDROOM	$3,859	3.1%	$3,980	3.7%	$4,129	3.7%	$4,281
TWO BEDROOM	$6,482	3.1%	$6,682	3.8%	$6,935	3.9%	$7,206
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

>

>

PROVIDER NAME: NCPHS

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)				
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)				
NET INCOME FROM OPERATIONS				
LESS INTEREST EXPENSE				
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION				
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)				

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
HUD	$2,673,982	6.9%	1980	2020	40
HERITAGE-HUD	$1,230,208	4.75%	2014	2017	3

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO				
OPERATING RATIO				
DEBT SERVICE COVERAGE RATIO				
DAYS CASH ON HAND RATIO				

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO							
ONE BEDROOM							
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: >

>

>

PROVIDER NAME: NCPHS

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4/23/2015

FACILITY NAME: SEQUOIAS - PORTOLA VALLEY

ADDRESS: 501 PORTOLA ROAD, PORTOLA VALLEY, CA **ZIP CODE:** 94028 **PHONE:** 650-851-1501

PROVIDER NAME: NCPHS **FACILITY OPERATOR:** NCPHS

RELATED FACILITIES: 6 **RELIGIOUS AFFILIATION:** PRESBYTERIAN

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

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS — STUDIO:	23	ASSISTED LIVING:	26
APARTMENTS — 1 BDRM:	116	SKILLED NURSING:	47
APARTMENTS — 2 BDRM:	66	SPECIAL CARE:	18
COTTAGES/HOUSES:	2	DESCRIPTION: >	MEMORY/DEMENTIA CARE
RLU OCCUPANCY (%) AT YEAR END:	96.1%	>	

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

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

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

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

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

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

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

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FACILITY SERVICES AND AMENITIES

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

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

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

PROVIDER NAME: NCPHS

OTHER CCRCs	**LOCATION (City, State)**	**PHONE (with area code)**
SEQUOIAS - SAN FRANCISCO*	SAN FRANCISCO, CA	415-922-9700
SEQUOIAS - PORTOLA VALLEY*	PORTOLA VALLEY, CA	650-851-1501
TAMALPAIS*	GREENBRAE, CA	416-461-2300

MULTI-LEVEL RETIREMENT COMMUNITIES	**LOCATION (City, State)**	**PHONE (with area code)**
THE WOODS	LITTLE RIVER, CA	707-937-0294

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

SUBSIDIZED SENIOR HOUSING	**LOCATION (City, State)**	**PHONE (with area code)**
WESTERN PARK APARTMENTS	SAN FRANCISCO, CA	415-922-5436
EASTERN PARK APARTMENTS	SAN FRANCISCO, CA	415-776-0114
TOWN PARK TOWERS	SAN JOSE, CA	408-288-8750

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

PROVIDER NAME: NCPHS

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$62,699	$65,484	$71,927	$74,518
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	69,467	71,408	75,872	75,783
NET INCOME FROM OPERATIONS	(6,768)	(5,924)	(3,945)	(1,265)
LESS INTEREST EXPENSE	2,399	2,293	2,296	2,533
PLUS CONTRIBUTIONS	1,595	2,094	4,132	1,799
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	(13,171)	3,685	16,852	(18,322)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$(20,743)	$(2,438)	$14,743	$(20,321)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$16,977	$23,067	$16,675	$21,370

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CITIBANK-HUD	$25,452,792	2.37%	2013	2043	35 YEARS
CHFFA BONDS	$33,900,000	VARIABLE	2004	2034	30 YEARS
CHFFA BONDS	$16,410,000	5.1%-5.4%	1998	2028	30 YEARS

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO		29.40%	30.89%	34.09%
OPERATING RATIO		111.60%	107.77%	104.17%
DEBT SERVICE COVERAGE RATIO		3.81	2.59	3.85
DAYS CASH ON HAND RATIO		263.54	278	261

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO	$3,307	3.0%	$3,405	3.0%	$3,506	0.7%	$3,530
ONE BEDROOM	$4,030	3.0%	$4,150	3.1%	$4,277	1.3%	$4,331
TWO BEDROOM	$7,115	3.0%	$7,332	3.1%	$7,559	1.1%	$7,639
COTTAGE/HOUSE	$9,080	3.1%	$9,361	3.1%	$9,650	1.7%	$9,810
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: >

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PROVIDER NAME: NCPHS

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)				
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)				
NET INCOME FROM OPERATIONS				
LESS INTEREST EXPENSE				
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION				
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)				

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
HUD	$2,673,982	6.9%	1980	2020	40
HERITAGE-HUD	$1,230,208	4.75%	2014	2017	3

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO				
OPERATING RATIO				
DEBT SERVICE COVERAGE RATIO				
DAYS CASH ON HAND RATIO				

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO							
ONE BEDROOM							
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

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PROVIDER NAME: NCPHS

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

Long-Term Debt, less Current Portion

Total Assets

OPERATING RATIO

Total Operating Expenses
– Depreciation Expense
– Amortization Expense

Total Operating Revenues – Amortization of Deferred Revenue

DEBT SERVICE COVERAGE RATIO

Total Excess of Revenues over Expenses
+ Interest, Depreciation, and Amortization Expenses
Amortization of Deferred Revenue + Net Proceeds from Entrance Fees

Annual Debt Service

DAYS CASH ON HAND RATIO

Unrestricted Current Cash & Investments
+ Unrestricted Non-Current Cash & Investments

(Operating Expenses – Depreciation – Amortization)/365

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

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4/23/2015

FACILITY NAME: TAMALPAIS

ADDRESS: 501 VIA CASITAS, GREENBRAE, CA   ZIP CODE: 94904   PHONE: 415-461-2300

PROVIDER NAME: NCPHS   FACILITY OPERATOR: NCPHS

RELATED FACILITIES: 6   RELIGIOUS AFFILIATION: PRESBYTERIAN

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

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:	88	ASSISTED LIVING:	18
APARTMENTS – 1 BDRM:	115	SKILLED NURSING:	49
APARTMENTS – 2 BDRM:	32	SPECIAL CARE:	0
COTTAGES/HOUSES:	0	DESCRIPTION:	N/A
RLU OCCUPANCY (%) AT YEAR END:	94.9%		

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

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

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

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

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

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

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

FACILITY SERVICES AND AMENITIES

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

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

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

PROVIDER NAME: NCPHS

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
SEQUOIAS - SAN FRANCISCO*	SAN FRANCISCO, CA	415-922-9700
SEQUOIAS - PORTOLA VALLEY*	PORTOLA VALLEY, CA	650-851-1501
TAMALPAIS*	GREENBRAE, CA	416-461-2300

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)
THE WOODS	LITTLE RIVER, CA	707-937-0294

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

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)
WESTERN PARK APARTMENTS	SAN FRANCISCO, CA	415-922-5436
EASTERN PARK APARTMENTS	SAN FRANCISCO, CA	415-776-0114
TOWN PARK TOWERS	SAN JOSE, CA	408-288-8750

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

PROVIDER NAME: NCPHS

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$62,699	$65,484	$71,927	$74,518
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	69,467	71,408	75,872	75,783
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LESS INTEREST EXPENSE	2,399	2,293	2,296	2,533
PLUS CONTRIBUTIONS	1,595	2,094	4,132	1,799
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	(13,171)	3,685	16,852	(18,322)
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NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$16,977	$23,067	$16,675	$21,370

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CITIBANK-HUD	$25,452,792	2.37%	2013	2043	35 YEARS
CHFFA BONDS	$33,900,000	VARIABLE	2004	2034	30 YEARS
CHFFA BONDS	$16,410,000	5.1%-5.4%	1998	2028	30 YEARS

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO		29.40%	30.89%	34.09%
OPERATING RATIO		111.60%	107.77%	104.17%
DEBT SERVICE COVERAGE RATIO		3.81	2.59	3.85
DAYS CASH ON HAND RATIO		263.54	278	261

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO	$3,126	3.0%	$3,219	3.6%	$3,334	3.7%	$3,456
ONE BEDROOM	$4,007	3.0%	$4,128	3.6%	$4,277	3.9%	$4,444
TWO BEDROOM	$6,930	3.1%	$7,142	3.6%	$7,398	3.7%	$7,674
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: >

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PROVIDER NAME: NCPHS

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)				
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)				
NET INCOME FROM OPERATIONS				
LESS INTEREST EXPENSE				
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION				
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)				

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
HUD	$2,673,982	6.9%	1980	2020	40
HERITAGE-HUD	$1,230,208	4.75%	2014	2017	3

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO				
OPERATING RATIO				
DEBT SERVICE COVERAGE RATIO				
DAYS CASH ON HAND RATIO				

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO							
ONE BEDROOM							
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: >

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>

PROVIDER NAME: NCPHS

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

Part 7

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	$3,333-9,705	$3,333-9,705	$3,333-9,705
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.77%	3.77%	3.77%

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

[3] Indicate the date the fee increase was implemented: April 1, 2014
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

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

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

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

Explanation: Sequoias – San Francisco

Monthly care fee increases averaging 3.77% were implemented on April 1, 2014.

This increase in monthly care fees was necessary to cover a 6.8% increase in operating expenses in the 2014 budget. This increase in expenses was due to the opening of a new 18 unit memory care center at the facility. The increase in expenses was offset in part by an anticipated increase in fee for service revenue from the memory care facility.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	$3,530-9,810	$3,530-9,810	$3,530-9,810
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.63%	3.63%	3.63%

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

[3] Indicate the date the fee increase was implemented: April 1, 2014
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

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

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

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

Explanation: Sequoias – Portola Valley

Monthly care fees were increased an average of 3.63% effective April 1, 2014.

The increase in fees was necessary to cover an increase in operating costs of 6.6% for 2014 over 2015. Medical expenses including assisted living, memory care, activities, skilled nursing and physician and hospital costs were budgeted to increase 7.7% in 2014. This increase in expenses was offset in part by a 19.6% increase in fee for service revenue which reduced the need for monthly care fee increases.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	$3,456-8,522	$3,456-8,522	$3,456-8,522
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.74%	3.74%	3.74%

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

[3] Indicate the date the fee increase was implemented: April 1, 2014
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

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

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

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

Explanation: Tamalpais

Monthly care fees for Tamalpais were increased an average of 3.74% effective April 1, 2014.

The monthly care fee increase was needed to cover a 3.6% increase in operating expenses budgeted for 2015. Health care expenses including assisted living, activities, clinic, skilled nursing and physician and hospital were budgeted to increase 6.0% in 2014.

Part 8

KEY INDICATORS REPORT

Date Prepared: 4/29/2015

Chief Executive Officer Signature

Northern California Presbyterian Homes & Services

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

						Projected	Forecast				Preferred Trend Indicator
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	See next page										N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	-9.84%	-9.06%	-13.66%	-13.38%	-10.02%	-6.93%	-3.16%	-2.78%	-2.84%	-2.86%	↑
3. Net Operating Margin - Adjusted (%)	20.39%	14.59%	15.56%	9.43%	14.89%	16.19%	18.64%	18.99%	18.67%	18.65%	↑
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	$49,098	$47,337	$53,706	$58,888	$57,819	$63,721	$71,559	$80,631	$90,223	$100,741	↑
5. Days Cash on Hand (Unrestricted)	259	247	264	278	261	285	308	338	368	400	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000)	$98,927	$106,471	$112,568	$115,674	$120,298	$125,268	$130,283	$135,364	$140,055	$144,764	N/A
7. Net Annual E/F proceeds ($000)	$22,951	$17,178	$21,948	$16,675	$20,965	$20,106	$20,832	$21,585	$21,892	$22,549	N/A
8. Unrestricted Net Assets ($000)	-$9,214	-$25,563	-$21,296	-$1,473	-$16,344	-$4,333	-$3,278	-$387	$4,037	$9,945	N/A
9. Annual Capital Asset Expenditure ($000)	$11,485	$11,679	$11,548	$19,031	$27,225	$22,492	$11,212	$11,555	$11,908	$12,272	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	-0.25	-0.45	-0.75	-0.29	0.28	0.04	0.24	0.34	0.39	0.45	↑
11. Annual Debt Service Coverage (x)	3.02	2.97	3.81	2.58	3.85	1.04	3.41	3.62	3.71	3.87	↑
12. Annual Debt Service/Revenue (%)	6.73%	6.77%	6.36%	5.94%	5.63%	5.63%	6.63%	6.40%	6.19%	5.98%	↓
13. Average Annual Effective Interest Rate (%)	4.22%	3.80%	3.77%	3.44%	4.08%	4.19%	5.09%	5.13%	5.17%	5.22%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	80.14%	80.43%	97.14%	94.41%	76.01%	74.83%	86.12%	99.60%	114.61%	131.84%	↑
15. Average Age of Facility (years)	13.34	14.26	14.45	14.7	15.25	11.26	11.56	12.35	13.07	13.73	↓

KEY INDICATORS REPORT

Date Prepared: 4/29/2015

Northern California Presbyterian Homes & Services

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

						Projected	Forecast				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)											N/A
Seqouias - San Francisco	86%	86%	87%	88%	86%	89%	90%	92%	92%	92%	
Sequoias - Portola Valley	88%	89%	88%	90%	88%	89%	92%	94%	96%	96%	
Tamalpais	95%	92%	91%	91%	92%	94%	94%	94%	94%	94%	

NORTHERN CALIFORNIA PRESBYTERIAN HOMES & SERVICES, INC.

Key Indicators Report - Management Discussion
December 31, 2014

Margin profitability indicators

The net operating margin ratio improved in 2014 over 2013. Increases in resident fees at the life care communities and manufactured homes at The Woods was a primary reason for the stronger profitability in 2014. Resident fees were increased in 2014 and occupancy and census improved over 2013 contributing to the increase. NCPHS is forecasting improvement in the profitability indicators through 2017.

Liquidity indicators

Investment results were not as strong in 2014 and NCPHS completed a large number of capital improvements which required the use of accumulated cash and marketable securities balance, resulting in a 4% decrease in marketable securities. NCPHS is forecasting improvement in the liquidity indicators as the investment markets are expected to improve and NCPHS has completed a financing to cover some of the cost of 2014 improvements. Proceeds from resident fees and entrance fee resale are also expected to improve, which should increase cash balances.

Capital structure indicators

NCPHS's capital structure ratios remained favorable in 2014. NCPHS completed rehabilitation of one of its subsidized housing facilities, which resulted in increased debt relative to assets. However, increases in proceeds from resident fees and entrance fee resale helped NCPHS strengthen these indicators.

NCPHS's debt service coverage ratio improved in 2014 over 2013. Strong entrance fee resales provided cash for debt service and resulted in an increase in debt service coverage. On April 15, 2015, NCPHS issued $63.2 million of Series 2015 Revenue Bonds to refinance $50.3 million remaining on its California Health Facilities Financing Authority (CHFFA) Revenue Bonds Series 1998 and Series 2004 and fund $12.9 million of capital improvements to two of its CCRCs. This will negatively impact the capital structure ratios in 2015 but improve the liquidity indicators.

While the average age of facilities has been increasing over the period 2010 through 2014, several large renovation projects will be completed and placed in service over the next few years which should result in a decrease in the average age.