

CALIFORNIA-NEVADA METHODIST HOMES

ANNUAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2014**

**ANNUAL REPORT
CHECKLIST
for
FISCAL YEAR ENDED:
6/30/2014**

PROVIDER: California-Nevada Methodist Homes, Inc.

FACILITIES: Forest Hill, Lake Park

CONTACT PERSON: Robert Leeper

TELEPHONE NO.: (510) 893-8989

✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓

Your complete annual report must consist of 2 copies of all of the following:

- ✓ This cover sheet.
- ✓ Annual Provider Fee in the amount of: \$ 15,285.00
 - ✓ If applicable, late fee in the amount of: \$_____.
- ✓ Certification by the provider's chief *executive* officer that:
 - ✓ The reports are correct to the best of his/her knowledge.
 - ✓ Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - ✓ The provider is maintaining the required liquid reserve and refund reserve, if applicable.
- ✓ Evidence of the provider's fidelity bond.
- ✓ The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community.
- ✓ A copy of the Key Indicators Report.
- ✓ Disclosure details of reserves, specific funds, and per capita costs.



October 31, 2014

Mr. John Rodriguez, Chief
Continuing Care Contracts
Department of Social Services
744 P Street
Sacramento, California 95814

Dear Mr. Rodriguez,

Please accept the enclosed Annual Reports and amendments for Forest Hill and Lake Park for the fiscal year ending June 30, 2014.

California-Nevada Methodist Homes uses continuing care contract forms for new residents which have been approved by the California Department of Social Services (DSS). As of October 31, 2014, the Corporation maintains operating and debt service reserves in excess of the DSS requirements. To the best of my knowledge and belief, the information contained within these reports and amendments is true and correct.

Sincerely,

Robert E. Hubbard
President & CEO



EVIDENCE OF PROPERTY INSURANCE

 DATE (MM/DD/YYYY)
 10/17/2014

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

AGENCY Commercial Lines - (866) 737-7095 Wells Fargo Insurance Services USA, Inc. - CA Lic#: 0D08408 1039 N. McDowell Blvd. Petaluma, CA 94954-1173		PHONE (A/C, No, Ext):		COMPANY Federal Insurance Company 5050 Hopyard Road Pleasanton, CA 94588 20281	
FAX (A/C, No):		E-MAIL ADDRESS:		LOAN NUMBER	
CODE:		SUB CODE:		POLICY NUMBER 35819694	
AGENCY CUSTOMER ID#:		INSURED California Nevada Methodist Homes, Inc. 1850 Alice Street Oakland, CA 94612		EFFECTIVE DATE 04/01/2014	
				EXPIRATION DATE 04/01/2015	
				<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED	
THIS REPLACES PRIOR EVIDENCE DATED: SID# 752263 10/17/2014					

PROPERTY INFORMATION

LOCATION/DESCRIPTION

All Insured Locations

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

COVERAGE INFORMATION


COVERAGE / PERILS / FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE
Employee Dishonesty	\$500,000	\$10,000
ERISA Fidelity	\$500,000	\$0
Computer Fraud	\$500,000	\$10,000
Money & Securities - Inside/Outside	\$3,000	\$500
Fiduciary Liability	\$500,000	\$0

REMARKS (Including Special Conditions)

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

ADDITIONAL INTEREST

NAME AND ADDRESS Proof of Coverage	<input type="checkbox"/> MORTGAGEE	<input type="checkbox"/> ADDITIONAL INSURED
	<input type="checkbox"/> LOSS PAYEE	
	LOAN #	
AUTHORIZED REPRESENTATIVE 		



CALIFORNIA-NEVADA METHODIST HOMES

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2014 AND JUNE 30, 2013



CALIFORNIA-NEVADA METHODIST HOMES

TABLE OF CONTENTS **JUNE 30, 2014 AND JUNE 30, 2013**

Independent auditors' report	2 - 3
Statements of financial position	4 - 5
Statements of activities	6
Statements of functional expenses	7 - 8
Statements of cash flows	9
Notes to financial statements	10 - 20
Supplemental Information:	
Statement of unrestricted revenue and expenses by division	22 - 25



Independent Auditors' Report

Board of Trustees
California-Nevada Methodist Homes

We have audited the accompanying financial statements of California-Nevada Methodist Homes (a California not-for-profit corporation), which comprise the statements of financial position as of June 30, 2014 and June 30, 2013, and the related statements of activities, functional expenses and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California-Nevada Methodist Homes as of June 30, 2014 and June 30, 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information, Statement of Unrestricted Revenue and Expenses by Division, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Riva Accountancy Corporation

Certified Public Accountants

San Francisco, California
October 17, 2014

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2014

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CURRENT:			
Cash and cash equivalents	\$ 2,203,848	\$ 68,193	\$ 2,272,041
Investments, at fair value	7,262,389	-	7,262,389
Accounts and notes receivable (pledged):			
Trade, net of \$21,360 allowance for uncollectible accounts	468,790	-	468,790
Other	29,259	-	29,259
Accrued interest	8,622	-	8,622
Prepaid expenses	380,005	-	380,005
Bond reserve funds	3,695,842	-	3,695,842
TOTAL CURRENT ASSETS	14,048,755	68,193	14,116,948
PROPERTY AND EQUIPMENT, at cost, net (encumbered)	51,307,270	-	51,307,270
OTHER:			
Charitable remainder trust, at present value	65,400	-	65,400
Bond issuance cost, net	1,335,145	-	1,335,145
	<u>\$ 66,756,570</u>	<u>\$ 68,193</u>	<u>\$ 66,824,763</u>
 <u>LIABILITIES</u>			
CURRENT:			
Accounts payable - trade	\$ 476,529	\$ -	\$ 476,529
Payroll payable	187,060	-	187,060
Bond payable	720,000	-	720,000
Note payable	173,611	-	173,611
Accrued liabilities:			
Salaries and wages	207,834	-	207,834
Compensated absences	805,785	-	805,785
Accrued interest	743,625	-	743,625
Other	97,349	-	97,349
TOTAL CURRENT LIABILITIES	3,411,793	-	3,411,793
LONG-TERM:			
Accrued severance pay	135,095	-	135,095
Entrance deposits	375,853	-	375,853
Deferred revenue from entrance subscriptions	36,252,866	-	36,252,866
Deferred compensation	110,129	-	110,129
Bonds payable	29,284,437	-	29,284,437
Other	59,119	-	59,119
TOTAL LIABILITIES	69,629,292	-	69,629,292
NET ASSETS	(2,872,722)	68,193	(2,804,529)
	<u>\$ 66,756,570</u>	<u>\$ 68,193</u>	<u>\$ 66,824,763</u>

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2013

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CURRENT:			
Cash and cash equivalents	\$ 1,229,377	\$ 59,899	\$ 1,289,276
Investments, at fair value	6,062,729	-	6,062,729
Accounts and notes receivable (pledged):			
Trade, net of \$21,400 allowance for uncollectible accounts	266,968	-	266,968
Other	43,334	-	43,334
Accrued interest	14,020	-	14,020
Prepaid expenses	357,975	-	357,975
Bond reserve funds	3,643,343	-	3,643,343
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT ASSETS	11,617,746	59,899	11,677,645
 PROPERTY AND EQUIPMENT, at cost, net (encumbered)	 52,145,087	 -	 52,145,087
 OTHER:			
Charitable remainder trust, at present value	68,000	-	68,000
Notes receivable, net of current portion	-	-	-
Bond issuance cost, net	1,429,488	-	1,429,488
	<hr/>	<hr/>	<hr/>
	<u>\$ 65,260,321</u>	<u>\$ 59,899</u>	<u>\$ 65,320,220</u>
 <u>LIABILITIES</u>			
 CURRENT:			
Accounts payable - trade	\$ 743,735	-	\$ 743,735
Payroll payable	230,153	-	230,153
Bond payable	685,000	-	685,000
Note payable	416,667	-	416,667
 Accrued liabilities:			
Salaries and wages	354,926	-	354,926
Compensated absences	755,244	-	755,244
Accrued interest	760,750	-	760,750
Other	98,244	-	98,244
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	4,044,719		4,044,719
 LONG-TERM:			
Accrued severance pay	126,119	-	126,119
Entrance deposits	24,000	-	24,000
Deferred revenue from entrance subscriptions	32,138,685	-	32,138,685
Deferred compensation	110,129	-	110,129
Bonds payable	30,031,375	-	30,031,375
Note payable	173,611	-	173,611
Other	23,253	-	23,253
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	66,671,891	-	66,671,891
 NET ASSETS	 (1,411,570)	 59,899	 (1,351,671)
	<hr/>	<hr/>	<hr/>
	<u>\$ 65,260,321</u>	<u>\$ 59,899</u>	<u>\$ 65,320,220</u>

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2014			Year Ended June 30, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE:						
Resident fees	\$ 11,796,010	\$ -	\$ 11,796,010	\$ 11,141,142	\$ -	\$ 11,141,142
Patient fees	3,891,701	-	3,891,701	3,353,689	-	3,353,689
Amortization of entrance subscriptions	2,698,475	-	2,698,475	3,061,549	-	3,061,549
Interest and dividend income	126,478	-	126,478	129,158	-	129,158
Rental income	44,584	-	44,584	34,004	-	34,004
Gifts, bequests and grants	-	91,812	91,812	51,910	13,372	65,282
Change in present value of charitable remainder trust	(2,600)	-	(2,600)	(2,000)	-	(2,000)
Unrealized gains (losses) on investments	232,921	-	232,921	(25,436)	-	(25,436)
Realized gains on sale of investments	33,971	-	33,971	65,012	-	65,012
Realized gains on sale of equipment	263	-	263	1,400	-	1,400
Miscellaneous	76,378	-	76,378	430,951	-	430,951
Net assets released from restrictions:						
Satisfaction of program restrictions	83,518	(83,518)	-	9,490	(9,490)	-
TOTAL REVENUE	18,981,699	8,294	18,989,993	18,250,869	3,882	18,254,751
EXPENSES:						
Program services:						
Forest Hill Manor	8,758,968	-	8,758,968	8,822,529	-	8,822,529
Lake Park Retirement Residence	10,631,699	-	10,631,699	10,046,831	-	10,046,831
Rental properties	37,439	-	37,439	33,577	-	33,577
Total program services	19,428,106	-	19,428,106	18,902,937	-	18,902,937
Supporting services:						
Management and general	995,426	-	995,426	974,438	-	974,438
Fundraising	19,319	-	19,319	18,000	-	18,000
TOTAL EXPENSES	20,442,851	-	20,442,851	19,895,375	-	19,895,375
INCREASE (DECREASE) IN NET ASSETS	(1,461,152)	8,294	(1,452,858)	(1,644,506)	3,882	(1,640,624)
NET ASSETS, beginning of year	(1,411,570)	59,899	(1,351,671)	232,936	56,017	288,953
NET ASSETS, end of year	\$ (2,872,722)	\$ 68,193	\$ (2,804,529)	\$ (1,411,570)	\$ 59,899	\$ (1,351,671)

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

	Program Services				Supporting Services		Total Expenses
	Forest Hill	Lake Park	Rental Properties	Total	Management and General	Fundraising	
Program expenses:							
Medical services	\$ 1,124,985	\$ 1,515,480	\$ -	\$ 2,640,465	\$ -	\$ -	\$ 2,640,465
Food and food services	1,293,759	2,842,527	-	4,136,286	-	-	4,136,286
Administration	870,761	1,046,039	629	1,917,429	943,869	-	2,861,298
Marketing	533,855	508,657	-	1,042,512	1,848	-	1,044,360
Housekeeping	351,402	621,473	-	972,875	-	-	972,875
Utilities	327,524	584,651	7,729	919,904	12,542	-	932,446
Assisted living	330,752	906,574	-	1,237,326	-	-	1,237,326
Maintenance and operations	358,204	658,238	10,936	1,027,378	11,069	-	1,038,447
Medical care	441,584	375,693	-	817,277	-	-	817,277
Laundry	30,853	3,842	-	34,695	-	-	34,695
Activities	175,668	342,708	-	518,376	-	-	518,376
Social services	-	35,565	-	35,565	-	-	35,565
Fundraising	-	-	-	-	-	19,319	19,319
Property taxes and insurance	94,625	181,001	6,969	282,595	-	-	282,595
Total program expenses	5,933,972	9,622,448	26,263	15,582,683	969,328	19,319	16,571,330
Other expenses:							
Depreciation	1,378,175	809,451	11,171	2,198,797	25,989	-	2,224,786
Amortization of bond issuance costs	86,795	7,547	-	94,342	-	-	94,342
Investment expenses	3,703	5,624	4	9,331	109	-	9,440
Interest	1,354,267	128,778	1	1,483,046	-	-	1,483,046
Bad debt	2,056	57,851	-	59,907	-	-	59,907
Total other expenses	2,824,996	1,009,251	11,176	3,845,423	26,098	-	3,871,521
TOTAL EXPENSES	\$ 8,758,968	\$ 10,631,699	\$ 37,439	\$ 19,428,106	\$ 995,426	\$ 19,319	\$ 20,442,851

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013

	Program Services				Supporting Services		Total Expenses
	Forest Hill	Lake Park	Rental Properties	Total	Management and General	Fundraising	
Program expenses:							
Medical services	\$ 1,113,494	\$ 1,415,198	\$ -	\$ 2,528,692	\$ -	\$ -	\$ 2,528,692
Food and food services	1,251,399	2,713,509	-	3,964,908	-	-	3,964,908
Administration	917,249	1,077,841	379	1,995,469	935,183	-	2,930,652
Marketing	579,435	577,773	-	1,157,208	519	-	1,157,727
Housekeeping	332,654	569,627	-	902,281	-	-	902,281
Utilities	304,786	549,535	7,041	861,362	11,146	-	872,508
Assisted living	298,588	826,780	-	1,125,368	-	-	1,125,368
Maintenance and operations	337,180	609,294	7,115	953,589	7,908	-	961,497
Medical care	497,838	207,894	-	705,732	-	-	705,732
Laundry	29,524	4,217	-	33,741	-	-	33,741
Activities	187,651	319,709	-	507,360	-	-	507,360
Social services	-	45,286	-	45,286	-	-	45,286
Fundraising	-	-	-	-	-	18,000	18,000
Property taxes and insurance	87,778	166,783	7,184	261,745	-	-	261,745
Total program expenses	5,937,576	9,083,446	21,719	15,042,741	954,756	18,000	16,015,497
Other expenses:							
Depreciation	1,386,781	801,390	11,894	2,200,065	21,743	-	2,221,808
Amortization of bond issuance costs	93,033	8,088	-	101,121	-	-	101,121
Interest	1,391,540	140,465	(36)	1,531,969	(2,061)	-	1,529,908
Bad debt	13,599	13,442	-	27,041	-	-	27,041
Total other expenses	2,884,953	963,385	11,858	3,860,196	19,682	-	3,879,878
TOTAL EXPENSES	\$ 8,822,529	\$ 10,046,831	\$ 33,577	\$ 18,902,937	\$ 974,438	\$ 18,000	\$ 19,895,375

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2014	Year Ended June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (1,452,858)	\$ (1,640,624)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Depreciation	\$ 2,224,786	\$ 2,221,809
Amortization of bond issuance costs	94,343	101,121
Amortization of bond premium	(26,938)	(31,339)
Amortization of entrance subscriptions	(2,698,475)	(3,061,549)
Entrance subscriptions received	6,812,656	5,715,071
Realized gain on sale of investments	(33,971)	(65,012)
Realized (gain) loss on disposal of property and equipment	264	(1,400)
Unrealized (gain) loss on investments	(216,921)	25,436
Change in present value of charitable remainder trust	2,600	2,000
Decrease (increase) in:		
Accounts and notes receivable - trade	(201,822)	57,308
Other receivables	14,074	272,317
Accrued interest receivable	5,398	(3,469)
Prepaid expenses	(22,030)	(12,870)
Charitable remainder trust	-	15,442
Increase (decrease) in:		
Accounts payable	(267,206)	(36,335)
Payroll payable	(43,093)	88,672
Accrued liabilities	(69,729)	173,976
Deferred compensation	-	(108,516)
Entrance deposits	351,853	(46,000)
	<u>5,925,789</u>	<u>(46,000)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,472,931	3,666,038
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,387,237)	(1,056,680)
Proceeds from sale of investments	1,740,780	899,739
Decrease in bond reserve funds	(52,499)	(7,657)
Purchase of investments	(2,689,543)	(3,407,340)
	<u>(2,689,543)</u>	<u>(3,407,340)</u>
NET CASH USED BY INVESTING ACTIVITIES	(2,388,499)	(3,571,938)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long term debt	(1,101,667)	(1,241,667)
	<u>(1,101,667)</u>	<u>(1,241,667)</u>
NET CASH USED BY FINANCING ACTIVITIES	(1,101,667)	(1,241,667)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	982,765	(1,147,567)
CASH AND CASH EQUIVALENTS, beginning of year	1,289,276	2,436,843
CASH AND CASH EQUIVALENTS, end of year	\$ 2,272,041	\$ 1,289,276
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 139,560	\$ 185,499

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND JUNE 30, 2013

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

California-Nevada Methodist Homes (the Corporation) is a non-profit charitable corporation with a primary mission of enhancing the well-being of seniors for the remaining years of their lives through the creation and ethical administration of residential and health care facilities in which the independence, dignity, traditional values and individual rights of each person are held in high regard.

Financial statement format:

The Corporation classifies its net assets and activities into one of three categories: unrestricted, temporarily restricted and permanently restricted. Descriptions of these categories are as follows:

Unrestricted: Those net assets and activities which represent the portion of expendable funds that are available to support operations. A portion of these net assets may be designated by the Board of Trustees for specific purposes.

Temporarily Restricted: Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

Cash and cash equivalents:

Cash and cash equivalents are considered to be short-term, highly liquid investments with original maturities of three months or less.

Accounts receivable:

Accounts receivable represent amounts billed but not yet collected. The Corporation provides an allowance for doubtful accounts based on management's evaluation of a current aging of the accounts. It is the corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Investments:

The Corporation reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

The Corporation invests in various investments. Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND JUNE 30, 2013

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Professional accounting standards established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under professional accounting standards are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data, by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Equity securities, debt securities, and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Depreciation:

The Corporation computes depreciation on its property and equipment using the straight-line method of accounting over useful lives ranging from 5 to 50 years.

Amortization of deferred income - entrance subscriptions:

The Entrance Subscription and Continuing Care Agreements between the Corporation and the residents provide for the payment of an entrance subscription. Entrance subscriptions are used for general purposes, including support of operations, debt retirement and capital acquisitions. The subscriptions are recognized as revenue on a straight-line method of accounting over the expected remaining life of the residents as recomputed actuarially at the end of each year. In the case of refundable entrance fee contracts, and upon the death of the resident, the unamortized amount of the entrance fee taken into income is reduced by the amount of the refund embodied in the contract.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND JUNE 30, 2013

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Amortization of bond issuance cost:

Certain costs related to the bond issue have been capitalized and are being amortized using the straight line method over the life of the bond.

Amortization of bond premium:

The premium on issuance of the bonds is being amortized to interest expense over the life of the bonds.

Income taxes:

The Corporation has received tax-exempt status under the Internal Revenue Code Section 501(c)(3) and under the California Revenue Code Section 23701(d).

The Corporation recognizes the financial statement benefit of an uncertain tax position only after considering the probability that a tax authority would sustain the position in an examination. For tax positions meeting a “more-likely-than-not” threshold, the amount recognized in the financial statements is the benefit expected to be realized upon settlement with the tax authority. For tax positions not meeting the threshold, no financial statement benefit is recognized. As of June 30, 2014, the corporation has had no uncertain tax positions. The Corporation recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense. The Corporation is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status.

The Corporation’s tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively.

New accounting pronouncements:

Accounting for refundable entrance fees:

In July 2012, the FASB amended ASC 954-430-25-1. The amendment modifies the accounting for refundable entrance fees. This revision retroactively changes the amount of amortization of entrance fees the organization should have recognized. This change is effective for fiscal periods beginning after December 13, 2013. Management is evaluating the impact of this pronouncement. The organization estimates the cumulative change to net assets will be approximately \$2.1 million through the year ended June 30, 2014.

Reclassifications:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

Subsequent events:

Management has evaluated subsequent events through October 17, 2014, the date which the financial statements were available for issue. No significant events were identified that require any additional disclosure.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND JUNE 30, 2013

Note 2. NATURE OF 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents, investments and trade accounts receivable. Cash and cash equivalents were held in financial institutions in amounts exceeding the guaranteed amounts of the Federal Deposit Insurance Corporation. Trade accounts receivable are due from Medicare, Medi-Cal and private sources. Investments are held at brokerage firms in amounts which may exceed the guaranteed amount of the Securities Investor Protection Corporation.

Note 4. STATUTORY LIQUID ASSET RESERVE:

Effective January 1, 2005 the State of California Health and Safety Code Section 1792 requires the Corporation to hold reserves to cover its long-term debt service and seventy-five days of net operating expenses. The Corporation is not required to segregate these reserves, and the reserves may be held as cash, investments or letters of credit. The Corporation's assets held by the Trustee can be used to satisfy this requirement. At June 30, 2014 and June 30, 2013, the Corporation had a required reserve of \$4,825,572 and \$4,815,137, respectively, which were held as cash, cash equivalents and investments.

Note 5. INVESTMENTS:

Investments are stated at fair value. Fair value and cost as of June 30, 2014 and June 30, 2013 are summarized as follows:

Investment Type	June 30, 2014		June 30, 2013	
	Fair Value	Cost	Fair Value	Cost
Corporate equities	\$ 848,176	\$ 734,171	\$ 696,707	\$ 644,622
Debt securities	2,229,389	2,100,632	1,131,358	1,165,208
Certificate of deposits	4,184,824	4,210,664	4,234,664	4,267,054
	<u>\$ 7,262,389</u>	<u>\$ 7,045,467</u>	<u>\$ 6,062,729</u>	<u>\$ 6,076,884</u>

Note 6. FAIR VALUE MEASUREMENTS:

The following tables sets forth by level, the fair value hierarchy, the Corporation's assets at fair value as of June 30, 2014 and June 30, 2013:

Assets at Fair Value as of June 30, 2014

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Corporate equities	\$ 848,176	\$ -	\$ -	\$ 848,176
Debt securities	2,229,389	-	-	2,229,389
Charitable remainder trust	-	-	65,400	65,400
Total assets at fair value	<u>\$ 3,077,565</u>	<u>\$ -</u>	<u>\$ 65,400</u>	<u>\$ 3,142,965</u>

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND JUNE 30, 2013

Note 6. FAIR VALUE MEASUREMENTS (Continued):

Assets at Fair Value as of June 30, 2013

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Corporate equities	\$ 696,707	\$ -	\$ -	\$ 696,707
Debt securities	1,131,358	-	-	1,131,358
Charitable remainder trust	-	-	68,000	68,000
Total assets at fair value	<u>\$ 1,828,065</u>	<u>\$ -</u>	<u>\$ 68,000</u>	<u>\$ 1,896,065</u>

Level 3 Gains and Losses:

The following table sets forth a summary of changes in the fair value of the Corporation's level 3 assets for the years ended June 30, 2014 and June 30, 2013:

	June 30, 2014 Charitable Remainder Trust	June 30, 2013 Charitable Remainder Trust
Balance, beginning of year	\$ 68,000	\$ 85,442
Contributions	-	-
Unrealized gains/losses relating to instruments held at the reporting date	(2,600)	(2,000)
Purchases, sales, issuances, and settlements (net)	-	(15,442)
Balance, end of year	<u>\$ 65,400</u>	<u>\$ 68,000</u>

Note 7. BOND RESERVE FUNDS:

The bond reserve funds are held by a trustee in the following accounts:

	June 30,	
	2014	2013
Revenue fund	\$ 743,709	\$ 761,028
Bond reserve	2,232,133	2,197,315
Principal	<u>720,000</u>	<u>685,000</u>
Total bond reserve funds	<u>\$ 3,695,842</u>	<u>\$ 3,643,343</u>

The trustee has invested the funds in governmental money market funds. These earnings will be accumulated and used to fund bond bi-annual interest payments. During the years ended June 30, 2014 and June 30, 2013 bond payments in the amount of \$685,000 and \$650,000, respectively were made from the principal fund.

As of July 1, 2014, the reserve had a surplus, the excess of which was moved to the trustee held as a revenue fund.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND JUNE 30, 2013

Note 8. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	June 30,	
	2014	2013
Land	\$ 834,624	\$ 834,624
Land improvements	268,306	259,401
Buildings and improvements	76,305,661	75,003,227
Furniture and equipment	3,982,045	3,820,680
Construction in progress	32,608	124,980
Totals	81,423,244	80,042,912
Less accumulated depreciation	30,115,974	27,897,825
Property and equipment, net	\$ 51,307,270	\$ 52,145,087

The balances of accumulated depreciation by category are as follows:

	June 30,	
	2014	2013
Land improvements	\$ 171,240	\$ 161,308
Buildings and improvements	26,790,792	24,775,946
Furniture and equipment	3,153,942	2,960,571
Totals	\$ 30,115,974	\$ 27,897,825

Note 9. CHARITABLE TRUSTS:

The Corporation has been named as a beneficiary of Charitable Remainder Trusts. The income beneficiaries of Trust B are entitled to a payment each year calculated at 13.6% of the fair market value of the trust assets as of the date of contribution. The income beneficiaries of Trust C are entitled to a payment each year calculated at 6% of the fair market value of the trust assets as of the first day of each taxable year of the trust.

The Trusts are stated at the present value of the projected balance of the Trusts at termination, net of the amounts due to the income beneficiaries over the term of the Trusts. Changes in the calculated net present value are reported in the statement of activities annually.

The key assumptions used in net present value calculations for the Trusts are as follows:

	June 30, 2014	
	Trust B	Trust C
Present value	\$ 51,500	\$ 13,900
Trust assets at fair value	\$ 61,100	\$ 20,600
Projected term of the trusts based on actuarial tables	4.70 years	11.70 years
Projected growth rate net of payments to income beneficiaries	0.00 %	0.00 %
Risk-free discount rate	3.70 %	3.40 %

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND JUNE 30, 2013

Note 9. CHARITABLE TRUSTS (Continued):

	June 30, 2013	
	Trust B	Trust C
Present value	\$ 54,300	\$ 13,700
Trust assets at fair value	\$ 64,700	\$ 20,600
Projected term of the trusts based on actuarial tables	4.80 years	12.20 years
Projected growth rate net of payments to income beneficiaries	0.00 %	0.00 %
Risk-free discount rate	3.70 %	3.40 %

Note 10. NOTE PAYABLE:

The Corporation has a note payable to a financial institution, payable in monthly installments of \$37,044 including interest at 4.25%. The note payable balance was \$173,611 and \$590,278 as of June 30, 2014 and June 30, 2013, respectively. The note matures during November 2014.

Note 11. TAX EXEMPT BOND PAYABLE:

The construction of the new buildings at Forest Hill and a portion of the costs incurred in the expansion of the Lake Park skilled nursing unit were financed by the Corporation through the issuance of tax-exempt California Health Facilities Financing Authority Insured Revenue Bonds (California-Nevada Methodist Homes), Series 2006 (the "Bonds"), in the aggregate principal amount of \$42,280,000. The Office of Statewide Health Planning and Development of the State of California insures the principal and interest payments on the Bonds. Union Bank of California serves as the trustee. The Bonds are secured by the property, accounts receivable and equipment of the Corporation. The Bonds have a final maturity date of 2036, but were subject to mandatory redemptions beginning in 2011.

The Serial Bonds for the years 2012 - 2016 will be repaid by the Corporation making 12 monthly payments each year to the Trustee. The payments will be equal to the sum of two future interest payments (January 1 and July 1) and the one annual redemption payment (July 1). For the year ended June 30, 2014, the Corporation made twelve payments of \$183,937 totaling \$2,207,250 to fund the Trustee interest payments totaling \$1,487,250 and to fund the redemption of the 2014 Serial Bonds of \$720,000 due on July 1, 2014.

The Term Bonds due in 2026 and 2036 will be repaid by the Corporation making 12 monthly payments each year to the Trustee, beginning in 2017. The payments each year will approximate \$2.2 million a year, funding the sum of each year's two interest payments (January 1 and July 1), with the remaining portion of the payments being deposited into the Trustee held Bond Sinking Fund that will be used to retire a portion of the Term Bonds each year (July 1).

The Corporation is required to maintain a debt service fund equal to approximately one year's debt service with the trustee, which was met at June 30, 2014 and June 30, 2013.

The Corporation is required to meet certain covenants. The Corporation met these covenants at June 30, 2014. The stated fixed interest rate of the Bonds is 5.0%. The bonds were issued at a premium of \$618,163 which is being amortized over the life of the bonds.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND JUNE 30, 2013

Note 11. TAX EXEMPT BOND PAYABLE (Continued):

Bond maturity dates are as follows:

<u>Maturity Date</u>	<u>Amount</u>	<u>Type of Bonds</u>
2014	\$ 720,000	Serial
2015	755,000	Serial
2016	790,000	Serial
2017 - 2026	10,455,000	Term
2027- 2036	<u>17,025,000</u>	Term
Total	<u>\$ 29,745,000</u>	

Note 12. DEFERRED REVENUE FROM ENTRANCE SUBSCRIPTIONS:

The Corporation has several different types of contracts. Type A entrance subscription agreements provides for the right of each resident to terminate the agreement and be entitled to a refund of the original fee less 1.5% of the original fee for each month of residency. A Type B entrance subscription agreement provides for the right of each resident to terminate the agreement and be entitled to a refund of the original fee less 2.08% of the original fee for each month of residency. For guaranteed refundable contracts the refund is never less than 90% of the original fee. At June 30, 2014 and June 30, 2013, unamortized entrance subscriptions (deferred revenue) were \$36,252,866 (2014) and \$32,138,685 (2013), of which \$25,520,578 (2014) and \$20,667,092 (2013) was subject to such refund provisions.

Note 13. SELECTIVE MANAGEMENT COMPENSATION PLAN:

The Corporation has agreements with certain of its key employees. The agreements are designed to provide benefits to be paid to these employees in installments upon retirement or in the event of their death, to a designated beneficiary. Accordingly, the Corporation has accrued deferred compensation of \$110,129 at June 30, 2014 and June 30, 2013.

Note 14. FUTURE SERVICE OBLIGATION:

Professional accounting standards require the Corporation to record a liability recognizing an obligation to provide future services and the use of the facilities to all current residents if the net present value of future net cash out-flows, adjusted for certain noncash items, exceeds the present value of future net cash in-flows. At June 30, 2014 and June 30, 2013 the estimated future service obligation was \$0. The interest rate used to discount the liability was 5.5% in both 2014 and 2013.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND JUNE 30, 2013

Note 15. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consisted of the following for the year ended June 30, 2014:

	Beginning Balance	Contributions	Released from Restriction	Ending Balance
Forest Hill:				
Service enhancement	\$ 1,046	\$ -	\$ -	\$ 1,046
Resident support	-	6,500	3,750	2,750
Facility undesignated	12,820	17,529	8,638	21,711
Capital improvement	<u>11,035</u>	<u>-</u>	<u>1,000</u>	<u>10,035</u>
Total Forest Hill	<u>24,901</u>	<u>24,029</u>	<u>13,388</u>	<u>35,542</u>
Lake Park:				
Service enhancement	26,410	1,020	3,867	23,563
Facility undesignated	<u>8,588</u>	<u>66,763</u>	<u>66,263</u>	<u>9,088</u>
Total Lake Park	<u>34,998</u>	<u>67,783</u>	<u>70,130</u>	<u>32,651</u>
Total temporarily restricted net assets	<u>\$ 59,899</u>	<u>\$ 91,812</u>	<u>\$ 83,518</u>	<u>\$ 68,193</u>

Temporarily restricted net assets consisted of the following for the year ended June 30, 2013:

	Beginning Balance	Contributions	Released from Restriction	Ending Balance
Forest Hill:				
Service enhancement	\$ 1,046	\$ -	\$ -	\$ 1,046
Facility undesignated	2,483	10,337	-	12,820
Capital improvement	<u>11,035</u>	<u>-</u>	<u>-</u>	<u>11,035</u>
Total Forest Hill	<u>14,564</u>	<u>10,337</u>	<u>-</u>	<u>24,901</u>
Lake Park:				
Service enhancement	25,028	2,882	1,500	26,410
Facility undesignated	<u>11,252</u>	<u>153</u>	<u>2,817</u>	<u>8,588</u>
Total Lake Park	<u>36,280</u>	<u>3,035</u>	<u>4,317</u>	<u>34,998</u>
Corporate:				
Capital improvement	<u>5,173</u>	<u>-</u>	<u>5,173</u>	<u>-</u>
Total Corporate	<u>5,173</u>	<u>-</u>	<u>5,173</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 56,017</u>	<u>\$ 13,372</u>	<u>\$ 9,490</u>	<u>\$ 59,899</u>

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND JUNE 30, 2013

Note 16. MULTI-EMPLOYER RETIREMENT PLAN:

The Corporation contributes to a multi-employer defined benefit union pension plan that covers all Lake Park employees under collective bargaining agreements. In accordance with the plans, the Corporation makes monthly contributions based on employee hours worked. For the years ended June 30, 2014 and June 30, 2013, the Corporation contributed to the union pensions in the amount of \$43,668 and \$90,936, respectively. Management is not able to determine whether or not there is any unfunded union pension liability at June 30, 2014 as information relating to the plan’s funded status each year is not available at the date the statements are available to issue. Balances will vary depending on market conditions. The Corporation has made all required payments during the year. The risks of participating in this multi-employer plan are different from single-employer plans in the following aspects:

- Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Corporation chooses to stop participating in its multi-employer plan, the Corporation may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Corporation’s participation in this plan for the annual period ended June 30, 2014, is outlined in the table below. The “EIN/Pension Plan Number” column provides the Employee Identification Number (EIN) and three digit plan number. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available to 2013 is for the plan’s year end at December 31, 2013. The zone status is based on information that the Corporation received from the plan and is certified by the plan’s actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The “FIP/RP Status Pending/Implemented” column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreements to which the plan is subject.

The Corporation’s contributions do not represent more than 5 percent of total contributions to the plan.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Zone Status 2012</u>	<u>FIP/RP Status Implemented</u>	<u>Surcharge Imposed</u>	<u>Expiration Date of Collective-Bargaining Agreement</u>
SEIU National Industry Pension Fund	52-6148540	Red/Critical	Yes	No	7/31/2015

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND JUNE 30, 2013

Note 17. INTEREST EXPENSE:

Interest expense consists of the following:

	Year Ended June 30,	
	<u>2014</u>	<u>2013</u>
Bond interest	\$ 1,487,250	\$ 1,521,500
Amortized bond premium	(26,938)	(31,339)
Credit line interest	22,734	39,370
Short term note	<u>-</u>	<u>377</u>
Totals	<u>\$ 1,483,046</u>	<u>\$ 1,529,908</u>

Note 18. RELATED PARTY TRANSACTIONS:

Legal and consulting fees paid to members of the Corporation's Board of Directors amounted to approximately \$367 and \$366 for the year end June 30, 2014 and June 30, 2013 respectively.

CALIFORNIA-NEVADA METHODIST HOMES

SUPPLEMENTAL INFORMATION

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF UNRESTRICTED REVENUE AND EXPENSES BY DIVISION

YEAR ENDED JUNE 30, 2014

	Forest Hill	Lake Park	Interest and Rental Properties	Total
REVENUE:				
Resident fees	\$ 3,678,891	\$ 8,117,119	\$ -	\$ 11,796,010
Patient fees:				
Medicare	1,392,966	863,481	-	2,256,447
Private	847,471	787,783	-	1,635,254
Amortization of entrance subscriptions	1,199,048	1,499,427	-	2,698,475
Interest and dividend income	56,770	69,481	227	126,478
Rental income	34,620	-	9,964	44,584
Gifts, bequests and grants, net	-	(2,600)	-	(2,600)
Unrealized gains (losses) on investments	-	-	232,921	232,921
Realized gains on investments	-	-	33,971	33,971
Realized gains (losses) on disposal of assets	-	-	263	263
Miscellaneous	26,208	50,170	-	76,378
Net assets released from restrictions	-	83,518	-	83,518
	<u>7,235,974</u>	<u>11,468,379</u>	<u>277,346</u>	<u>18,981,699</u>
TOTAL REVENUE				
EXPENSES:				
Facility operations:				
Medical services	1,124,985	1,515,480	-	2,640,465
Food and food services	1,293,759	2,842,527	-	4,136,286
Administration	870,761	1,046,039	629	1,917,429
Marketing	533,855	508,657	-	1,042,512
Housekeeping	351,402	621,473	-	972,875
Utilities	327,524	584,651	7,729	919,904
Personal care	330,752	906,574	-	1,237,326
Maintenance and operations	358,204	658,238	10,936	1,027,378
Medical care	441,584	375,693	-	817,277
Laundry	30,853	3,842	-	34,695
Activities	175,668	342,708	-	518,376
Social services	-	35,565	-	35,565
Property taxes and insurance	94,625	181,001	6,969	282,595
	<u>5,933,972</u>	<u>9,622,448</u>	<u>26,263</u>	<u>15,582,683</u>
Total operating expenses before management and general allocation				
Management and general allocation	393,492	599,943	1,991	995,426
Fundraising allocation	7,652	11,667	-	19,319
	<u>\$ 6,335,116</u>	<u>\$ 10,234,058</u>	<u>\$ 28,254</u>	<u>\$ 16,597,428</u>
Total operating expenses				

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF UNRESTRICTED REVENUE AND EXPENSES BY DIVISION (Continued)

YEAR ENDED JUNE 30, 2014

	Forest Hill	Lake Park	Interest and Rental Properties	Total
Other expenses:				
Depreciation	\$ 1,378,175	\$ 809,451	\$ 11,171	\$ 2,198,797
Amortization of bond issuance costs	86,795	7,547	-	94,342
Interest	1,354,267	128,778	1	1,483,046
Investment costs	3,703	5,624	4	9,331
Bad debts	2,056	57,851	-	59,907
	2,824,996	1,009,251	11,176	3,845,423
Total other expenses				
TOTAL EXPENSES	9,160,112	11,243,309	39,430	20,442,851
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ (1,924,138)	\$ 225,070	\$ 237,916	\$ (1,461,152)

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF UNRESTRICTED REVENUE AND EXPENSES BY DIVISION

YEAR ENDED JUNE 30, 2013

	Forest Hill	Lake Park	Interest and Rental Properties	Total
REVENUE:				
Resident fees	\$ 3,432,001	\$ 7,709,141	\$ -	\$ 11,141,142
Patient fees:				
Medicare	1,333,937	310,778	-	1,644,715
Private	1,063,772	645,202	-	1,708,974
Amortization of entrance subscriptions	1,451,329	1,610,220	-	3,061,549
Interest and dividend income	51,313	77,588	257	129,158
Rental income	34,004	-	-	34,004
Gifts, bequests and grants, net	3,281	46,629	-	49,910
Unrealized gains (losses) on investments	-	-	(25,436)	(25,436)
Realized gains on investments	-	-	65,012	65,012
Realized gains (losses) on disposal of asset	-	-	1,400	1,400
Miscellaneous	289,097	141,854	-	430,951
Net assets released from restrictions	-	9,490	-	9,490
TOTAL REVENUE	7,658,734	10,550,902	41,233	18,250,869
EXPENSES:				
Facility operations:				
Medical services	1,113,494	1,415,198	-	2,528,692
Food and food services	1,251,399	2,713,509	-	3,964,908
Administration	917,249	1,077,841	379	1,995,469
Marketing	579,435	577,773	-	1,157,208
Housekeeping	332,654	569,627	-	902,281
Utilities	304,786	549,535	7,041	861,362
Personal care	298,588	826,780	-	1,125,368
Maintenance and operations	337,180	609,294	7,115	953,589
Medical care	497,838	207,894	-	705,732
Laundry	29,524	4,217	-	33,741
Activities	187,651	319,709	-	507,360
Social services	-	45,286	-	45,286
Property taxes and insurance	87,778	166,783	7,184	261,745
Total operating expenses before management and general allocation	5,937,576	9,083,446	21,719	15,042,741
Management and general allocation	438,497	533,700	2,241	974,438
Fundraising allocation	8,119	9,881	-	18,000
Total operating expenses	\$ 6,384,192	\$ 9,627,027	\$ 23,960	\$ 16,035,179

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF UNRESTRICTED REVENUE AND EXPENSES BY DIVISION (Continued)

YEAR ENDED JUNE 30, 2013

	<u>Forest Hill</u>	<u>Lake Park</u>	<u>Interest and Rental Properties</u>	<u>Total</u>
Other expenses:				
Depreciation	\$ 1,386,781	\$ 801,390	\$ 11,894	\$ 2,200,065
Amortization of bond issuance costs	93,033	8,088	-	101,121
Interest	1,391,540	140,465	(36)	1,531,969
Bad debts	13,599	13,442	-	27,041
	<u>2,884,953</u>	<u>963,385</u>	<u>11,858</u>	<u>3,860,196</u>
Total other expenses				
	<u>2,884,953</u>	<u>963,385</u>	<u>11,858</u>	<u>3,860,196</u>
TOTAL EXPENSES	<u>9,269,145</u>	<u>10,590,412</u>	<u>35,818</u>	<u>19,895,375</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ (1,610,411)</u>	<u>\$ (39,510)</u>	<u>\$ 5,415</u>	<u>\$ (1,644,506)</u>

See notes to financial statements.



Independent Auditors' Report

Board of Trustees
California-Nevada Methodist Homes

We have audited the accompanying continuing care contract report of California-Nevada Methodist Homes as of June 30, 2014 and the supplemental statement of cash flow - direct method for the year then ended. The continuing care contract report and supplemental statement are the responsibility of California-Nevada Methodist Homes' management. Our responsibility is to express an opinion on the continuing care contract report and supplemental statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the continuing care contract report and supplemental statement are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the continuing care contract report and supplemental statement. An audit of a continuing care contract report and supplemental statement also includes assessing conformity with the provisions of California Health and Safety Code Section 1792 in so far as it relates to accounting and reporting matters. We believe that our audit provides a reasonable basis for our opinion.

The continuing care contract report was prepared in conformity with the accounting practices prescribed by the California Department of Social Services pursuant to provisions of the California Health and Safety Code. This report is not intended to be a complete presentation of California-Nevada Methodist Homes' assets and liabilities on the basis of accounting described above.

In our opinion, such continuing care contract report and supplemental statement of cash flows present fairly, in all material respects, the continuing care contract requirements and cash flows of California-Nevada Methodist Homes as of and for the year ended June 30, 2014, in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

This report is intended solely for the information and use of the board of directors and management of California-Nevada Methodist Homes and for filing with the California Department of Social Services and is not intended to be and should not be used by anyone other than these specified parties.

Rina Accountancy Corporation

Certified Public Accountants

San Francisco, California
October 17, 2014

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	85
[2]	Number at end of fiscal year	91
[3]	Total Lines 1 and 2	176
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	88
All Residents		
[6]	Number at beginning of fiscal year	95
[7]	Number at end of fiscal year	97
[8]	Total Lines 6 and 7	192
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of all residents	96
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of all residents (Line 10) and enter the result (round to two decimal places).	0.92

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$9,160,112
[a]	Depreciation	\$1,378,175
[b]	Debt Service (Interest Only)	\$1,368,270
[2]	Subtotal (add Line 1a and 1b)	\$2,746,445
[3]	Subtract Line 2 from Line 1 and enter result.	\$6,413,667
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	92%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$5,879,195
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$5,879

PROVIDER California-Nevada Methodist Homes, Inc.
COMMUNITY Forest Hill

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	172
[2]	Number at end of fiscal year	179
[3]	Total Lines 1 and 2	351
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	175.5
All Residents		
[6]	Number at beginning of fiscal year	178
[7]	Number at end of fiscal year	186
[8]	Total Lines 6 and 7	364
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	182
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.96

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$11,243,309
[a]	Depreciation	\$809,451
[b]	Debt Service (Interest Only)	\$118,980
[2]	Subtotal (add Line 1a and 1b)	\$928,431
[3]	Subtract Line 2 from Line 1 and enter result.	\$10,314,878
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	96%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$9,946,490
[6]	Total Amount Due (multiply Line 5 by .001)	\$9,946

PROVIDER California-Nevada Methodist Homes, Inc.
COMMUNI Lake Park

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


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

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

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

PROVIDER: California-Nevada Methodist Homes, Inc.

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	<u>\$2,207,250</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$0</u>
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	<u><u>\$2,207,250</u></u>

PROVIDER: California-Nevada Methodist Homes, Inc.

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$9,160,112</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$1,368,270</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u> </u>	
	c. Depreciation	<u>\$1,378,175</u>	
	d. Amortization	<u>\$86,795</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$2,240,437</u>	
	f. Extraordinary expenses approved by the Department	<u> </u>	
3	Total Deductions		<u>\$5,073,677</u>
4	Net Operating Expenses		<u>\$4,086,435</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$11,196</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$839,678</u></u>

PROVIDER: California-Nevada Methodist Homes, Inc.

COMMUNITY: Forest Hill

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$11,243,309</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$118,980	
	b. Credit enhancement premiums paid for long-term debt (see instructions)		
	c. Depreciation	\$809,451	
	d. Amortization	\$7,547	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$1,651,264	
	f. Extraordinary expenses approved by the Department		
3	Total Deductions		<u>\$2,587,242</u>
4	Net Operating Expenses		<u>\$8,656,067</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$23,715</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$1,778,644</u></u>

PROVIDER: California-Nevada Methodist Homes, Inc.

COMMUNITY: Lake Park

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: California-Nevada Methodist Homes, Inc.

Fiscal Year Ended: 6/30/2014

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 6/30/2014 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 6/30/2014 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$2,207,250
[2] Operating Expense Reserve Amount	\$2,618,322
[3] Total Liquid Reserve Amount:	\$4,825,572

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

	<u>Amount</u> <u>(market value at end of quarter)</u>	
<u>Qualifying Asset Description</u>	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	\$2,203,848	
[5] Investment Securities		\$7,262,389
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve*	\$2,232,133	(not applicable)
[10] Other:		
*See Note 7 to the 6/30/2014 Financial Statements, Bond Reserve. (describe qualifying asset)		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	\$4,435,981 [12]	\$7,262,389
Reserve Obligation Amount: [13]	\$2,207,250 [14]	\$2,618,322
Surplus/(Deficiency): [15]	\$2,228,731 [16]	\$4,644,067

Signature:

(Authorized Representative)

Date:

President & CEO
(Title)

ANNUAL RESERVE & FUNDS DISCLOSURE H&SC

SECTION 1790 A (2) & (3)

Provider Name: California-Nevada Methodist Homes, Inc.
 Fiscal Year Ended: 6/30/2014

Unrestricted Cash & Cash Equivalents (Page 4)**\$2,203,848**

The Unrestricted funds are held in a bank account to fund operations. The first \$500,000 is held in a non-interest bearing checking account with the balance held in an investment sweep account.

Restricted Cash & Cash Equivalents (Page 4)**\$68,193**

The Restricted Funds are held in a bank account to facilitate checking account liquidity. The first \$50,000 is held in a non-interest bearing checking account with the balance being held in an investment sweep account.

As found in the Note 15 to the Financial Statements, 6/30/2014, California-Nevada Methodist Homes holds its restricted funds until the donor's restriction for use is met. The funds are available for the following purposes:

Service enhancement	\$24,609
Resident support	\$2,750
Facility undesignated	\$30,799
Capital improvements	\$10,035
	<u>\$68,193</u>

Investments, at fair value (Page 4)**\$7,262,389**

As found in the Note 5 to the Financial Statements, 6/30/2014, California-Nevada Methodist Homes holds part of its reserves in investments as follows:

Corporate equities	\$848,176
Debt securities	\$2,229,389
Certificates of deposit	\$4,184,824
	<u>\$7,262,389</u>

Bond reserve funds (Page 4)**\$3,695,842**

Reconciles to Note 7 2014 column.

Revenue Fund	\$743,709
Bond reserve	\$2,232,133
Principal	\$720,000
	<u>\$3,695,842</u>

ANNUAL PER CAPITA COSTS DISCLOSURE

SECTION 1790 A (2)

Provider Name: California-Nevada Methodist Homes, Inc.

Fiscal Year Ended: 6/30/2014

Forest Hill Manor

Total Operating Expenses, Form 5-4 (1), Line 1	<u>\$9,160,112</u>
Mean number of all residents, Form 1-1 (1), Line 10	<u>96</u>
Per Capita costs	<u><u>\$95,418</u></u>

Lake Park Retirement

Total Operating Expenses, Form 5-4 (2), Line 1	\$11,243,309
Mean number of all residents, Form 1-1 (2), Line 10	182
Per Capita costs	<u><u>\$61,776</u></u>

Explanation to reconcile Forms to Financial Statements..

Form 1-2 (1)

Forest Hill: See Page 23 of the June 30, 2014 financial statements.
Total Operating Expense: Total Expenses, Forest Hill Manor column.
Depreciation: Depreciation, Forest Hill Manor column.
Debt service: Interest expense, reconciliation Form 5-1 below.

Form 1-2 (2)

Lake Park: See Page 23 of the June 30, 2014 financial statements.
Total Operating Expense: Total Expenses, Lake Park column.
Depreciation: Depreciation, Lake Park column.
Debt service: Interest expense, reconciliation Form 5-1 below.

Depreciation expense on Page 7, June 30, 2014 financial statements,
 Total Expenses column \$2,224,786 ties to Statement of
 Cash Flows - Direct Method (SCF-DM), Page 2, Depreciation.

Form 5-1

See Note 11. Maturity dates for each of the bond issues below are as of July 1 of each year shown. The portion of the bond interest was expensed in the amount of \$1,487,250 and is allocated on Form 5-1 according to the bonds listed below:

Maturity Date	Interest Rate	Face Amount	Interest Paid (FHM)	Interest Paid (LP)
2014	5.00%	\$720,000	\$33,120	\$2,880
2014	5.00%	\$755,000	\$34,730	\$3,020
2015	5.00%	\$790,000	\$36,340	\$3,160
2016	5.00%	\$10,455,000	\$480,930	\$41,820
2026	5.00%	\$17,025,000	\$783,150	\$68,100
Total Interest Paid:			\$1,368,270	\$118,980

Interest Expense on Page 7, Total Expenses column, Total Interest Expense, \$1,483,046 ties to SCF-DM, Page 1 after subtracting amortization of bond premium in the amount of \$26,938. (SCF-DM, Payments of Interest \$1,509,984 -\$26,938 = \$1,483,046)
 The schedule below is derived from Note 17, which provides a breakdown of Interest Expense in support of the \$1,487,250 in Bond Interest Expense.

Forest Hill Bond Interest expense	\$1,368,270
Lake Park Bond Interest expense	\$118,980
Total amortized Bond Premium	-\$26,938
Total allocated Credit Line Interest	\$22,734
Total allocated short term note Interest	\$0
Interest Expense line on Page 7, Total column of Program Services.	\$1,483,046

Form 5-4 (1)

Forest Hill Manor: See Page 23 of the June 30, 2014 financial statements.
Total Operating Expense: Total Expenses, Forest Hill Manor column.
Interest: See schedule 5-1 & explanation of Schedule 5-1 above. Ties to Forest Hill column, Interest.
Depreciation: Depreciation, Forest Hill Manor column = \$1,378,175
Amortization: Amortization of Bond Issuance Costs, Forest Hill Manor column = \$86,795

Form 5-4 (2)

Lake Park: See Page 23 of the June 30, 2014 financial statements.
Total Operating Expense: Total Expenses, Lake Park column.
Interest: See schedule 5-1 & explanation of Schedule 5-1 above. Ties to Lake Park column, Interest.
Depreciation: Depreciation, Lake Park column = \$809,451.
Amortization: Amortization of Bond Issuance Costs, Lake Park column = \$7,547.

Total depreciation expense on Page 7, \$2,224,786 ties to Statement of
 Cash Flows - Direct Method (SCF-DM), Page 2, Depreciation

Total Amortization of Bond Issuance costs on Page 7, \$94,343 ties to Statement of
 Cash Flows - Direct Method (SCF-DM), Page 2, Amortization of Bond Issuance Costs

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

Date Prepared: 10/31/2014

FACILITY NAME: Forest Hill
 ADDRESS: 551 Gibson Avenue, Pacific Grove, CA ZIP CODE: 93950 PHONE: 831-657-5200
 PROVIDER NAME: California Nevada Methodist Homes FACILITY OPERATOR: California Nevada Methodist Homes
 RELATED FACILITIES: Lake Park RELIGIOUS AFFILIATION: United Methodist Conference
 YEAR OPENED: 1954 # OF ACRES: 2.4 SINGLE STORY MULTI-STORY OTHER: _____ MILES TO SHOPPING CTR: 1/4
 MILES TO HOSPITAL: 6

NUMBER OF UNITS:	RESIDENTIAL LIVING	HEALTH CARE
	APARTMENTS – STUDIO: <u>17</u>	ASSISTED LIVING: <u>18</u>
	APARTMENTS – 1 BDRM: <u>39 (4 Junior)</u>	SKILLED NURSING: <u>26</u>
	APARTMENTS – 2 BDRM: <u>27</u>	SPECIAL CARE: _____
	COTTAGES/HOUSES: <u>8</u>	DESCRIBE SPECIAL CARE: _____
RLU OCCUPANCY (%) AT YEAR END: <u>58.7%</u>		

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

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

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

RANGE OF ENTRANCE FEES: \$ 44,500 TO \$ 430,000 **LONG-TERM CARE INSURANCE REQUIRED?** YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 30 days of Lifetime Assisted Living, 30 days of Skilled Nursing

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

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): See page 5 that follows

FACILITY SERVICES AND AMENITIES

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

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

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

Date Prepared: 10/31/2014

FACILITY NAME: Lake Park
 ADDRESS: 1850 Alice Street ZIP CODE: 94612 PHONE: 510-835-5511
 PROVIDER NAME: California Nevada Methodist Homes FACILITY OPERATOR: California Nevada Methodist Homes
 RELATED FACILITIES: Forest Hill RELIGIOUS AFFILIATION: United Methodist Conference
 YEAR OPENED: 1965 # OF ACRES: 2+ SINGLE STORY MULTI-STORY OTHER: _____ MILES TO SHOPPING CTR: 1/4
 MILES TO HOSPITAL: 3

NUMBER OF UNITS:	<u>RESIDENTIAL LIVING</u>	<u>HEALTH CARE</u>
	APARTMENTS — STUDIO: <u>20</u>	ASSISTED LIVING: <u>35</u>
	APARTMENTS — ALCOVE: <u>28</u>	SKILLED NURSING: <u>35</u>
	APARTMENTS — 1 BDRM: <u>80 (3 Junior)</u>	SPECIAL CARE: _____
	APARTMENTS — 2 BDRM: <u>28</u>	DESCRIBE SPECIAL CARE: _____
	RLU OCCUPANCY (%) AT YEAR END: <u>85.43%</u>	

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

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

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

RANGE OF ENTRANCE FEES: \$ 36,881 TO \$ 255,651 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 30 days of Lifetime Assisted Living, 30 days of Skilled Nursing

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

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): See page 5 that follows

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (<u>4</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (<u>2 OR 3</u> /DAY)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>			

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

PROVIDER NAME: California Nevada Methodist Homes

CCRCs

LOCATION (City, State)

PHONE (with area code)

Forest Hill

Pacific Grove, CA

831-657-5200

Lake Park

Oakland, CA

510-835-5511

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	\$ 13,510,000	\$ 14,965,312	\$ 15,187,920	\$ 16,282,961
LESS OPERATING EXPENSES (excluding depreciation, amortization, and interest)	\$ 14,407,947	\$ 15,377,095	\$ 16,042,538	\$ 16,640,672
NET INCOME FROM OPERATIONS	-\$ 897,945	-\$ 411,783	-\$ 854,618	-\$ 357,711
LESS INTEREST EXPENSE	\$ 1,669,219	\$ 1,581,862	\$ 1,529,908	\$ 1,483,046
PLUS CONTRIBUTIONS	\$ 208,809	\$ 583,534	\$ 9,490	\$ 83,518
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	-\$ 2,358,355	-\$ 1,410,111	-\$ 2,375,036	-\$ 1,757,239
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	\$ 4,704,605	\$ 3,524,611	\$ 6,060,418	\$ 6,812,656

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
CHFFA	\$29,284,437	5.00%	05/06/2006	05/01/2036	264 months

FINANCIAL RATIOS

(see next page for ratio formulas)

**2013 CCAC Medians
50th Percentile**

(optional)

	<u>2012</u>	<u>2013</u>	<u>2014</u>
DEBT TO ASSET RATIO	48.24%	47.07%	46.73%
OPERATING RATIO	113.64%	116.25%	113.36%
DEBT SERVICE COVERAGE RATIO	1.58	2.35	2.86
DAYS CASH-ON-HAND RATIO	127.28	151.7	191.28

HISTORICAL MONTHLY SERVICE FEES

(AVERAGE FEE AND PERCENT CHANGE)

	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>
STUDIO	\$ 2,141	3.90%	\$ 2,224	3.70%	\$ 2,305	4.20%	\$ 2,402
ONE BEDROOM	\$ 3,054	3.90%	\$ 3,173	3.70%	\$ 3,289	4.20%	\$ 3,427
TWO BEDROOM	\$ 3,518	3.90%	\$ 3,655	3.70%	\$ 3,788	4.20%	\$ 3,947
COTTAGE/HOUSE	\$ 3,451	3.90%	\$ 3,625	3.70%	\$ 3,758	4.20%	\$ 3,915
ASSISTED LIVING	\$ 5,779	0.00%	\$ 5,779	3.70%	\$ 5,992	4.20%	\$ 6,243
SKILLED NURSING	\$ 9,885	0.00%	\$ 9,885	3.70%	\$ 10,402	4.20%	\$ 10,836
SPECIAL CARE		0.00%		0.00%		0.00%	

COMMENTS FROM PROVIDER:

* Debt service Coverage Ratio is calculated without including balloon payment

of \$3.75 million in FY 2011.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	\$ 13,510,000	\$ 14,965,312	\$ 15,187,920	\$ 16,282,961
LESS OPERATING EXPENSES (excluding depreciation, amortization, and interest)	\$ 14,407,947	\$ 15,377,095	\$ 16,042,538	\$ 16,640,672
NET INCOME FROM OPERATIONS	-\$ 897,945	-\$ 411,783	-\$ 854,618	-\$ 357,711
LESS INTEREST EXPENSE	\$ 1,669,219	\$ 1,581,862	\$ 1,529,908	\$ 1,483,046
PLUS CONTRIBUTIONS	\$ 208,809	\$ 583,534	\$ 9,490	\$ 83,518
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	-\$ 2,358,355	-\$ 1,410,111	-\$ 2,375,036	-\$ 1,757,239
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	\$ 4,704,605	\$ 3,524,611	\$ 6,060,418	\$ 6,812,656

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
CHFFA	\$29,284,437	5.00%	05/06/2006	05/01/2036	264 months

FINANCIAL RATIOS

(see next page for ratio formulas)

**2013 CCAC Medians
50th Percentile
(optional)**

		<u>2012</u>	<u>2013</u>	<u>2014</u>
DEBT TO ASSET RATIO	57.38%	48.24%	47.07%	46.73%
OPERATING RATIO	98.58%	113.64%	116.25%	113.36%
DEBT SERVICE COVERAGE RATIO	2.82	1.58	2.35	2.86
DAYS CASH-ON-HAND RATIO	279	127.28	151.7	191.28

HISTORICAL MONTHLY SERVICE FEES

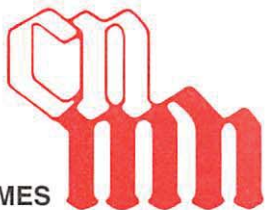
(AVERAGE FEE AND PERCENT CHANGE)

	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>
STUDIO	\$ 2,137	3.90%	\$ 2,220	3.70%	\$ 2,301	4.20%	\$ 2,398
ONE BEDROOM	\$ 2,993	3.90%	\$ 3,110	3.90%	\$ 3,223	4.30%	\$ 3,358
TWO BEDROOM	\$ 3,830	3.90%	\$ 3,979	3.70%	\$ 4,124	4.20%	\$ 4,298
COTTAGE/HOUSE		0.00%		0.00%		0.00%	
ASSISTED LIVING	\$ 6,521	0.00%	\$ 6,521	3.70%	\$ 6,752	4.20%	\$ 7,034
SKILLED NURSING	\$ 7,495	0.00%	\$ 7,495	3.70%	\$ 7,650	4.20%	\$ 7,980
SPECIAL CARE		0.00%		0.00%		0.00%	

COMMENTS FROM PROVIDER:

of \$3.75 million in FY 2011.

* Debt service Coverage Ratio is calculated without including balloon payment



Resident Representative participation on the CNMH Board of Directors

CNMH currently has a resident representative from each of its two CCRCs. These representatives are elected by each community's Resident Association and serve as non-voting members of the Board of Trustees. They are invited to participate in all regular Board meetings as well as any Board-related meetings involving the discussion of the annual budget, increases in monthly care fees, indebtedness, and expansion of new and existing CCRCs.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

CALIFORNIA-NEVADA METHODIST HOMES

**STATEMENT OF CASH FLOWS - DIRECT METHOD
SUPPLEMENTAL INFORMATION
CONTINUING CARE CONTRACT ANNUAL REPORT**

YEAR ENDED JUNE 30, 2014

CASH PROVIDED BY OPERATING ACTIVITIES:

Gifts, bequests and grants received	\$ 91,812
Resident fees	11,796,010
Patient fees	3,689,879
Entrance subscriptions and deposits	7,164,509
Interest income	131,876
Rents	44,584
Miscellaneous	90,452
Payments to employees and suppliers	(17,026,207)
Payments for interest	<u>(1,509,984)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 4,472,931

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(1,387,237)
Proceeds from the sale of investments	1,740,780
Decrease in bond reserve funds	(52,499)
Purchase of investments	<u>(2,689,543)</u>

NET CASH USED BY INVESTING ACTIVITIES (2,388,499)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on long-term debt	<u>(1,101,667)</u>
----------------------------	--------------------

NET CASH USED BY FINANCING ACTIVITIES (1,101,667)

NET INCREASE IN CASH AND CASH EQUIVALENTS 982,765

CASH AND CASH EQUIVALENTS, beginning of year 1,289,276

CASH AND CASH EQUIVALENTS, end of year \$ 2,272,041

CALIFORNIA-NEVADA METHODIST HOMES

**STATEMENT OF CASH FLOWS - DIRECT METHOD
SUPPLEMENTAL INFORMATION
CONTINUING CARE CONTRACT ANNUAL REPORT**

YEAR ENDED JUNE 30, 2014

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:

Change in net assets		\$ (1,452,858)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$ 2,224,786	
Amortization of bond issuance costs	94,343	
Amortization of bond premium	(26,938)	
Amortization of entrance subscriptions	(2,698,475)	
Entrance subscriptions received	6,812,656	
Realized gain on sale of investments	(33,971)	
Realized gain on sale of property and equipment	264	
Unrealized gain on investments	(216,921)	
Change in present value of charitable remainder trust	2,600	
Decrease (increase) in:		
Accounts and notes receivable - trade	(201,822)	
Other receivables	14,074	
Accrued interest receivable	5,398	
Prepaid expenses	(22,030)	
Increase (decrease) in:		
Accounts payable	(267,206)	
Other payable	(43,093)	
Accrued liabilities	(69,729)	
Entrance deposits	351,853	
	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ 4,472,931
		<hr/> <hr/>

Explanation for the increase in monthly fees for the year 2013 - 2014

Before Monthly Fee Increase

- Total revenues forecasted to be \$17,260,114.
- Total expenses forecasted to be \$20,792,148.
- Total operating revenue w/out amortization/contribution income projected to be \$17,260,114.
- Total cash expenses (excluding depreciation, amortization, & amortized interest expense) were forecasted to be \$18,489,937, a net increase in cash expenses of \$503,459 over the prior year's comparable projected expenses.

Primary changes in expenses were as follows:

- We increased the budgeted Marketing expenditures to \$1,333,380, up from \$1,172,660 the prior year.
- Commercial insurance was budgeted to increase by 10% over the prior year.
- Employer's contribution to employee health insurance increased by 8% again.
- Utilities were budgeted to increase by 2% Electric & Gas, 4% Garbage, and 5% Water over the prior year's actual expense.
- Purchased services and supplies budgets were increased between 2% & 3.9% over the prior year due to a small inflation factor and in anticipation of performing some discretionary refurbishment projects.

Rationale to adjust fees:

- Monthly fee revenue was forecasted to be \$11,763,248 without an increase.
- Occupancy levels for the past year were lower than anticipated, with the new budget accounting for a modest overall increase in census.
- An operating ratio of 123.66% was indicated without an increase.
- A monthly fee increase of 4.95% for Life Care contracts and 4.20% for Continuing Care contracts was approved by the Board of Directors, yielding a projected revenue increase of \$540,858 and an operating ratio of 118.82%.

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)	\$3,344 - \$5,563		
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.20% - 4.95%		

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: 07/01/13
 (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: California Nevada Methodist Homes, Inc.
COMMUNITY: Forest Hill

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	\$2,398 - \$6,010		
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.20% - 4.95%		

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: 07/01/13
(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: California Nevada Methodist Homes, Inc.
COMMUNITY: Lake Park

KEY INDICATORS REPORT

Date Prepared: 10/7/2014

[California-Nevada Methodist Homes, Inc.]

Chief Executive Officer Signature

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

	Historical				Projected	Forecast				Preferred Trend Indicator	
	2010	2011	2012	2013	2014	2015	2016	2017	2018		2019
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)											N/A
Forest Hill Manor	56.52%	62.00%	71.00%	69.60%	72.79%	74.00%	75.50%	77.00%	78.50%	80.00%	
Lake Park Retirement	87.58%	82.00%	80.00%	81.00%	84.50%	86.00%	87.50%	89.00%	90.50%	92.00%	
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	-23.18%	-13.98%	-5.54%	-7.06%	-9.71%	-12.51%	-10.57%	-7.52%	-4.91%	-2.56%	↑
3. Net Operating Margin - Adjusted (%)	6.77%	18.00%	15.07%	23.64%	26.70%	21.75%	22.07%	22.41%	22.76%	23.13%	↑
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments (\$000)	\$7,389	\$4,632	\$5,896	\$7,292	\$9,466	\$10,761	\$12,280	\$14,011	\$16,043	\$18,396	↑
5. Days Cash on Hand (Unrestricted)	172.32	104.93	127.28	151.7	191.28	210.11	231.66	255.38	283.07	313.53	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees (\$000)	\$25,990	\$28,112	\$29,485	\$32,139	\$36,252	\$41,771	\$47,291	\$50,650	\$53,949	\$57,191	N/A
7. Net Annual E/F proceeds (\$000)	\$3,628	\$4,929	\$3,525	\$6,014	\$6,812	\$5,400	\$5,500	\$5,600	\$5,700	\$5,800	N/A
8. Unrestricted Net Assets (\$000)	\$4,875	\$2,406	\$233	-\$1,412	-\$2,873	-\$7,251	-\$9,270	-\$10,782	-\$11,806	-\$12,338	N/A
9. Annual Capital Asset Expenditure (\$000)	\$5,562	\$1,092	\$713	\$1,057	\$1,381	\$1,600	\$1,800	\$2,000	\$2,200	\$2,400	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	-0.83	-0.75	0.01	-0.36	-0.24	-0.15	-0.01	0.13	0.30	0.50	↑
11. Annual Debt Service Coverage (x)	1.26	2.2	1.58	2.35	2.86	2.29	2.49	2.67	2.94	3.18	↑
12. Annual Debt Service/Revenue (%)	-0.83%	10.59%	12.77%	12.12%	11.74%	11.68%	11.08%	10.40%	9.64%	9.07%	↓
13. Average Annual Effective Interest Rate (%)	4.85%	4.85%	5.01%	5.01%	5.01%	5.01%	5.01%	5.01%	5.01%	5.01%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	20.54%	14.39%	18.68%	23.74%	32.33%	.7.72	44.27%	52.07%	61.62%	73.23%	↑
15. Average Age of Facility (years)	9.63	10.46	11.55	12.56	13.54	14.03	14.48	14.88	15.24	15.56	↓