Northern California Presbyterian Homes and Services, Inc.

Continuing Care Contract Annual Report
For the Year Ended December 31, 2017

Part 1

FORM 1-1

RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	345
[2]	Number at end of fiscal year	344
[3]	Total Lines 1 and 2	689
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	344.5
	All Residents	
[6]	Number at beginning of fiscal year	345
[7]	Number at end of fiscal year	344
[8]	Total Lines 6 and 7	689
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	344.5
[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)		$29,649,622
[a]	Depreciation	$4,103,066	
[b]	Debt Service (Interest Only)	$1,036,452	
[2]	Subtotal (add Line 1a and 1b)		$5,139,518
[3]	Subtract Line 2 from Line 1 and enter result.		$24,510,104
[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)		$24,510,104
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$24,510

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	314
[2]	Number at end of fiscal year	307
[3]	Total Lines 1 and 2	621
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	310.5
	All Residents	
[6]	Number at beginning of fiscal year	314
[7]	Number at end of fiscal year	307
[8]	Total Lines 6 and 7	621
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	310.5
[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)		$27,378,277
[a]	Depreciation	$2,619,097	
[b]	Debt Service (Interest Only)	$661,609	
[2]	Subtotal (add Line 1a and 1b)		$3,280,706
[3]	Subtract Line 2 from Line 1 and enter result.		$24,097,571
[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)		$24,097,571
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$24,098

PROVIDEI Northern California Presbyterian Homes & Services, Inc.
COMMUN Sequoias - Portola Valley

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	299
[2]	Number at end of fiscal year	306
[3]	Total Lines 1 and 2	605
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	302.5
	All Residents	
[6]	Number at beginning of fiscal year	299
[7]	Number at end of fiscal year	306
[8]	Total Lines 6 and 7	605
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	302.5
[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)		$27,243,595
[a]	Depreciation	$2,720,062	
[b]	Debt Service (Interest Only)	$796,574	
[2]	Subtotal (add Line 1a and 1b)		$3,516,636
[3]	Subtract Line 2 from Line 1 and enter result.		$23,726,959
[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)		$23,726,959
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$23,727

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

Part 2

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

December 31, 2017

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

May 11, 2018
Date

Part 3

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

December 31, 2017

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

Part 4

Northern California Presbyterian Homes and Services, Inc.

Consolidated Financial Statements
December 31, 2017 and 2016

Northern California Presbyterian Homes and Services, Inc.
Index
December 31, 2017 and 2016

Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of Northern California Presbyterian Homes and Services, Inc. and its subsidiaries (the "Organization"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of revenues, expenses and other changes in unrestricted net assets, of changes in net assets, and of 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.

Auditors' 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 of $27,005,783 and $27,453,080 as of December 31, 2017 and 2016, respectively, and total revenues of $3,518,397 and $3,421,232, respectively, for the years then ended. We also did not audit the financial statements of Town Park Towers, L.P., a controlled partnership, which statements reflect total assets of $30,017,071 and $23,384,647 as of December 31, 2017 and 2016, respectively, and total revenues of $3,725,569 and $3,326,255, respectively, for the years then ended. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements expressed herein, insofar as it relates to the amounts included for Western Park Apartments, L.P. and Town Park Towers, L.P. as of and for the years ended December 31, 2017 and 2016, is based solely on the reports 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 Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

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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.

Opinion

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northern California Presbyterian Homes and Services, Inc. and its subsidiaries as of December 31, 2017 and 2016, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The community service information on page 34 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

PricewaterhouseCoopers LLP

San Francisco, California
May 4, 2018

Northern California Presbyterian Homes and Services, Inc.
Consolidated Balance Sheets
December 31, 2017 and 2016
(dollars in thousands)

	2017 NCPHS	2017 SSNC	2017 Consolidated	2016 Consolidated
Assets				
Current assets				
Cash and cash equivalents	$ 6,650	$ 1,067	$ 7,717	$ 5,813
Marketable securities	72,098	25,516	97,614	97,927
Accounts, notes and interest receivable	4,223	-	4,223	4,088
Pledges receivable, net of allowance	-	380	380	100
Limited use assets, current	3,960	-	3,960	6,494
Prepaid expenses and other assets	2,211	-	2,211	1,018
Total current assets	89,142	26,963	116,105	115,440
Investments contractually limited for replacement reserves on properties financed by HUD	5,497	-	5,497	4,425
Investments held in trust	-	13,776	13,776	12,434
Investments, other	2,660	-	2,660	2,500
Trust contributions receivable	-	620	620	643
Pledges receivable, net of allowance, less current portion	-	233	233	231
Investments designated for refundable deposits	9,989		9,989	-
Limited use assets, noncurrent	4,040	-	4,040	4,042
Deferred cost	1,176	-	1,176	763
Other assets - land (see note 15)	-	11,211	11,211	11,211
Facilities, net of accumulated depreciation	186,456	-	186,456	177,125
	209,818	25,840	235,658	213,374
Total assets	$ 298,960	$ 52,803	$ 351,763	$ 328,814
Liabilities and Net Assets				
Current liabilities				
Accounts payable	$ 6,120	$ 142	$ 6,262	$ 6,870
Payroll and related taxes payable	5,227	-	5,227	4,705
Line of credit - unsecured	-	-	-	2,000
Current portion of long term debt	2,192	-	2,192	11,794
Accrued interest payable	1,534	-	1,534	1,454
Refundable deposits	10,892	-	10,892	1,120
Entrance fees paid in advance	799	-	799	743
Due to (from) related party (see note 15)	(11,211)	11,211	-	-
Total current liabilities	15,553	11,353	26,906	28,686
Long term debt, less current portion	100,237	-	100,237	114,407
Liability on refundable contracts	15,127	-	15,127	12,972
Liability for payments to trust beneficiaries	-	6,288	6,288	5,825
Pension liability	11,165	-	11,165	14,768
Unamortized entrance fees	125,927	-	125,927	121,884
Other long-term liabilities	3,579	1,329	4,908	5,119
	256,035	7,617	263,652	274,975
Total liabilities	271,588	18,970	290,558	303,661
Net assets				
Unrestricted net assets				
Controlling Interest	(6,253)	5,439	(814)	(11,818)
Non-controlling interest	33,625	-	33,625	11,541
Total unrestricted net assets	27,372	5,439	32,811	(277)
Temporarily restricted net assets	-	20,613	20,613	17,684
Permanently restricted net assets	-	7,781	7,781	7,746
Total net assets	27,372	33,833	61,205	25,153
Total liabilities and net assets	$ 298,960	$ 52,803	$ 351,763	$ 328,814

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, 2017 and 2016
(dollars in thousands)

	2017			2016
	NCPHS	SSNC	Consolidated	Consolidated
Operating revenues and support				
Revenues				
Resident fees	$ 64,820	$ -	$ 64,820	$ 62,063
Amortization of entrance fees	16,378	-	16,378	17,202
Fees for services and other income	14,487	-	14,487	13,527
Investment income including realized gains and losses on investments	3,779	318	4,097	4,721
Administrative service fees	-	125	125	115
	99,464	443	99,907	97,628
Support				
Contributions	-	392	392	705
Net assets released from restrictions	-	1,259	1,259	1,338
Total operating revenues and support	99,464	2,094	101,558	99,671
Expenses				
Program expenses				
Housing				
Program	21,109	-	21,109	19,085
Interest expense	5,049	-	5,049	4,502
Depreciation	11,243	-	11,243	10,419
Food service	14,898	-	14,898	14,531
Health care	23,054	-	23,054	21,914
Other program services	16,777	-	16,777	15,625
	92,130	-	92,130	86,076
Program support expense				
Administration	8,041	-	8,041	8,372
Depreciation	496	-	496	346
	8,537	-	8,537	8,718
Total expenses	100,667	-	100,667	94,794
Change in unrestricted net assets from operations	(1,203)	2,094	891	4,877
Other changes				
Unrealized gains (losses) on investments	5,792	548	6,340	(158)
Grants transferred for programs and facilities	2,611	(2,611)	-	-
Change in additional minimum pension liability	2,640	-	2,640	427
Capital contributions to non-controlling interest	23,600	-	23,600	-
Other	117	(500)	(383)	(45)
Increase (decrease) in unrestricted net assets	33,557	(469)	33,088	5,101
Unrestricted net assets (deficit) at beginning of year	(6,185)	5,908	(277)	(5,378)
Unrestricted net assets (deficit) at end of year	27,372	$ 5,439	$ 32,811	$ (277)

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, 2017 and 2016
(dollars in thousands)

	2017			2016
	NCPHS	SSNC	Consolidated	Consolidated
Unrestricted net assets				
Change in unrestricted net assets from operations	$ (1,203)	$ 2,094	$ 891	$ 4,877
Unrealized gains (losses) on investments	5,792	548	6,340	(158)
Grants transfered for programs and facilities	2,611	(2,611)	-	-
Change in minimum pension liability	2,640	-	2,640	427
Capital contributions to non-controlling interest	23,600	-	23,600	-
Other	117	(500)	(383)	(45)
Increase (decrease) in unrestricted net assets	33,557	(469)	33,088	5,101
Temporarily restricted net assets				
Contributions	-	1,782	1,782	1,204
Investment income	-	1,059	1,059	1,068
Change in value of split-interest agreements	-	237	237	568
Unrealized gains from investments	-	1,110	1,110	117
Net assets released from restrictions	-	(1,259)	(1,259)	(1,338)
Increase in temporarily restricted net assets	-	2,929	2,929	1,619
Permanently restricted assets				
Contributions	-	5	5	371
Change in value of split-interest agreements	-	30	30	55
Increase in permanently restricted net assets	-	35	35	426
Increase in net assets	33,557	2,495	36,052	7,146
Net assets (deficit) at beginning of year	(6,185)	31,338	25,153	18,007
Net assets at end of year	$ 27,372	$ 33,833	$ 61,205	$ 25,153

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, 2017 and 2016
(dollars in thousands)

	2017			2016
	NCPHS	SSNC	Consolidated	Consolidated
Cash flows from operating activities				
Cash received from entrance fees	$ 21,485	$ -	$ 21,485	$ 21,809
Cash received from resident fees	65,066	-	65,066	62,859
Cash received from services and other income	13,241	-	13,241	12,786
Cash received from contributions	-	1,794	1,794	2,409
Cash received (paid) for grants and support	2,611	(2,588)	23	(54)
Investment income	3,779	1,377	5,156	2,722
Interest paid	(5,009)	-	(5,009)	(4,669)
Cash paid to employees and suppliers	(83,230)	-	(83,230)	(77,376)
Settlement of ARO liabilities	(733)	-	(733)	(864)
Other	117	-	117	-
Cash provided by operating activities	17,327	583	17,910	19,622
Cash flows from investing activities				
Proceeds from sale and maturities of investments	23,763	3,469	27,232	31,007
Purchase of investments	(23,872)	(5,338)	(29,210)	(35,076)
Proceeds from pending land transfer	(11,211)	11,211	-	-
Purchase of property and equipment	(23,003)	-	(23,003)	(31,187)
Cash provided by (used in) investing activities	(34,323)	9,342	(24,981)	(35,256)
Cash flows from financing activities				
Payment of long term debt and notes payable	(26,558)	(10,000)	(36,558)	(1,707)
Payment of line of credit	(2,000)	-	(2,000)	-
Proceeds from line of credit	-	-	-	2,000
Issuance of debt	12,786	-	12,786	15,601
Proceeds from endowment contributions	-	146	146	482
Proceeds from contributions held in trust	-	672	672	537
Payments on related party payables	-	(1,024)	(1,024)	-
Payments to trust beneficiaries	-	(787)	(787)	(755)
Proceeds from refundable deposits	11,759	-	11,759	249
Proceeds from refundable entrance fees	2,487	-	2,487	2,503
Proceeds from limited partner equity	23,600	-	23,600	-
Refunds of refundable deposits	(1,987)	-	(1,987)	-
Refunds of entrance fees paid	(1,074)	-	(1,074)	(2,741)
Investment income from investments designated for refundable deposits	40	-	40	-
Investment income from marketable securities held in trust	-	915	915	575
Cash provided by (used in) financing activities	19,053	(10,078)	8,975	16,744
Net increase (decrease) in cash and cash equivalents	2,057	(153)	1,904	1,110
Beginning of year	4,593	1,220	5,813	4,703
End of year	$ 6,650	$ 1,067	$ 7,717	$ 5,813

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, 2017 and 2016
(dollars in thousands)

	2017			2016
	NCPHS	**SSNC**	**Consolidated**	**Consolidated**
Reconciliation of change in net assets to cash from operating activities				
Change in net assets	$ 33,557	$ 2,495	$ 36,052	$ 7,146
Adjustments to reconcile change in net assets to cash provided by operating activities				
Amortization of entrance fees	(16,378)	-	(16,378)	(17,202)
Depreciation	11,739	-	11,739	10,765
Amortization of deferred financing costs	-	-	-	(64)
Unrealized and realized gain (loss) on investments	(5,792)	(1,658)	(7,450)	(3,026)
Change in additional minimum pension liability	(2,640)	-	(2,640)	2,411
Contribution revenue from endowment gifts	-	(5)	(5)	(356)
Change in value of split interest agreements	-	(481)	(481)	(252)
Accretion of conditional asset retirement obligation	(43)	-	(43)	56
Settlement of ARO liabilities	(733)	-	(733)	(864)
Other - change in settlement of bargain sale	-	500	500	-
Capital contributions to non-controlling interest	(23,600)	-	(23,600)	-
Change in operating assets and liabilities				
Changes in receivables, other assets, payables and other accruals	(268)	14	(254)	(786)
Change in pledges receivable	-	(282)	(282)	(15)
Entrance fees received	21,485	-	21,485	21,809
Cash provided by operating activities	$ 17,327	$ 583	$ 17,910	$ 19,622
Non cash transactions				
Changes in fixed asset additions included in accounts payable	$ -	$ -	$ -	$ (907)

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, statement of operations and cash flows are consolidated with NCPHS.

NCPHS owns and operates EPA, which is a low-to-moderate income rental housing facility operated in accordance with the provisions of Section 202 of the National Housing Act. During 2017 and 2016, the facility received approximately 75% of its rental revenue from the U.S. Department of Housing and Urban Development ("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.

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 recorded the transfer of assets at carrying value with no recognition of gains or losses. In addition, intercompany receivables, payables, and loans between these affiliates are eliminated upon consolidation.

Western Park Apartments, L.P. (WPA L.P.) was formed in 2013 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.

WPA underwent a significant rehabilitation in 2014. The permanent financing was funded by a Citibank loan (see Note 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 additional capital contributions of $15.1 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.

On October 14, 2015, NCPHS sold TPT's land, building and improvements to TPT L.P. for the purchase price of $47.2 million, including a promissory note of $29.7 million due to NCPHS. 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.

TPT underwent a significant rehabilitation in 2016-2017. The permanent financing was funded by a Citibank loan (see Note 9). TPT 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 is also expected to continue to operate in accordance with the provisions of Sections 202 and 236 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 2070. The limited partner will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of TPT L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partner is required to provide capital contributions of $23 million that will be used to repay a portion of the $40 million construction loan. As of December 31, 2017, the limited partners have made $23 million in capital contributions. After the compliance period, NCPHS will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised will cause TPT L.P. to cease. The purchase price will be the greater of the outstanding debt and taxes of TPT L.P. or the then fair market value of TPT.

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

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

NCPHS formed a for profit company, NCP Senior Ventures, LLC, a California limited liability company ("NSV"), in 2008. 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 changes in net assets and cash flows are consolidated with NCPHS.

NSV began managing Kokoro Assisted Living, a 54-unit residential housing facility located in San Francisco, California, in 2009. The management fee received for this service is included in fees for service and other income.

NCPHS formed Viamonte Senior Living 1 ("VSL ") to develop, construct, own, and operate a continuing care retirement community in Walnut Creek, California on a nonprofit, nondenominational basis. Under a consulting agreement, NCPHS will provide development and management services to VSL. The land for the project was purchased by VSL in 2017. Through December 31, 2017, $10.4 million of construction-in-progress costs were incurred. For financial reporting purposes, VSL's balance sheet, statements of changes in net assets and cash flows are consolidated with NCPHS.

NCPHS is 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, WPL, TPL, NSV, RVH, VSL 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.

Certain prior year amounts have been reclassified to conform to the current year presentation. Such reclassifications had no effect on total assets, nor the change in net assets.

All operating, administrative and fund raising expenses including an allocation of costs for employees performing SSNC activities are incurred by NCPHS on behalf of SSNC. NCPHS estimates that the cost of employee services provided to SSNC was approximately $919 and $917 in 2017 and 2016, respectively. SSNC reimburses NCPHS for these costs.

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. 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 financial assets and liabilities approximate fair value. Investments, investments held in trust, and trust contributions receivable are carried at fair value. See Note 10 for discussion of fair value of NCPHS's financial assets and liabilities.

Cash and Cash Equivalents
Cash and cash equivalents, which consist of deposits and money market funds, 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 on the sale of investments 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.

Deferred Cost
Deferred cost represents unamortized direct sales and promotional costs incurred to market the facilities to initial residents. These deferred sales and promotional costs are expected to be recovered from future contract revenues and will be amortized using a straight line method over the estimated lives of the initial residents when the units are placed in service.

(dollars in thousands)

Facilities
Property and equipment are recorded at cost. Depreciation is computed on the straight-line method using the following composite annual 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. For the years ended December 31, 2017 and 2016, NCPHS capitalized interest of $129 and $251, respectively. 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. Liabilities associated with asset retirement obligations are estimated at fair value based on discount rates ranging from 5.7% to 6.3%, and inflation rates of 3.0% and 3.5%. 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 in future years. 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. The related 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 an appropriate credit risk-adjusted rate determined at the inception of each agreement. The liabilities are adjusted during the terms of the agreements for changes in the fair value of the assets, accretion of discounts, and other changes in the estimates of future benefits. As of December 31, 2017, the valuation technique utilizes published actuarial life expectancies ranging from 2.1 to 18.2 years, and discount rates ranging from 1.6% to 6.8%. As of December 31, 2016, the valuation technique utilizes published actuarial life expectancies ranging from 2.1 to 18.8 years, and discount rates ranging from 0.6% to 6.8%.

Pledges Receivable

Pledges receivable are recorded initially 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 using the discount rate technique. Subsequent to the initial recording, pledges are recorded at net realizable value. The discounts on these amounts are computed using rates applicable in the years in which those promises are received. As of December 31, 2017, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 6.3 years, and discount rates ranging from 1.6% to 6.8%. As of December 31, 2016, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 6.7 years, and discount rates ranging from 1.6% to 6.8%. 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.

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. 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. As of December 31, 2017, the valuation technique utilizes published actuarial life expectancies ranging from 3.87 to 13.19 years, and discount rates ranging from 4.3% to 4.9%. As of December 31, 2016, the valuation technique utilizes published actuarial life expectancies ranging from 2.91 to 12.61 years, and discount rates ranging from 4.2% to 4.9%.

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.

The Woods Gift Transfer

In December 1992, SSNC received a gift of real property with a fair market value of $1,000, known as The Woods, a senior manufactured home park in the Mendocino area. Forty percent of the property was given to SSNC in part as a bargain sale and in part as an outright gift. The bargain sale was created by the establishment of a wealth replacement trust funded by SSNC, at the direction of the donors. The asset purchased to fund the Wealth Replacement Trust is no longer sufficient to cover the requirement of the bargain sale agreement. SSNC estimates that an additional $500 will be required to fund the Wealth Replacement Trust.

(dollars in thousands)

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, 2017 and 2016, $74,353 and $73,380 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 6.15% and 6% as of December 31, 2017 and 2016, respectively, and that the annual increase in monthly care fees will be 4.4% and 4.3% as of December 31, 2017 and 2016, respectively. For 2017 and 2016, an interest rate of 4.35% and 4.5%, respectively, was 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 $69,000 and $76,000 on a discounted basis, and $72,000 and $81,000 on an undiscounted basis, at December 31, 2017 and 2016, 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, 2017 and 2016, this calculation did not result in an additional liability.

Fees for Services and Other Income
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.

Investment Income
Investment income includes interest and dividend income earned on investments, net realized gains and losses on sales of investments, other than temporary realized losses on investments and related investment counseling fees. Investment counseling fees were $145 and $166 for the years ended December 31, 2017 and 2016, 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.

Administrative Service Fees
SSNC manages its split interest agreements internally and assesses a fee of 1% of trust assets per year.

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, non periodic changes in pension liability, and change in non-controlling interest.

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.

Recent Pronouncements
The FASB Codification ("ASC") is the sole source of authoritative non-governmental U.S. generally accepted accounting principles.

In May 2014, the FASB issued an update to the ASC to improve the consistency of revenue recognition practices across industries for economically similar transactions. The core principle is that an entity recognizes revenue for goods or services to customers in an amount that reflects the consideration it expects to receive in return. In addition, this update requires new and enhanced disclosures regarding revenue recognition. The effective date is for annual periods beginning after December 15, 2017. NCPHS is evaluating the impact this standard may have on its financial statements and disclosures.

In August 2016, the FASB issued an update to the ASC regarding presentation of financial statements of not-for-profit organizations. This guidance is effective for fiscal years beginning after December 15, 2017. The standard requires NCPHS to reclassify its net assets (i.e. unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor imposed restrictions and net assets with donor imposed restrictions. This guidance also requires additional disclosures regarding the classification of expenses and the liquidity and availability of funds. NCPHS is evaluating the impact this standard may have on its financial statements and disclosures.

In January 2016, the FASB issued an update to the ASC regarding the recognition and measurement of financial assets and financial liabilities. This guidance affects all entities that hold financial assets or owe financial liabilities and primarily affects the accounting for equity investments, financial liabilities under the fair value option, and presentation and disclosure requirements for financial instruments. The guidance is effective for not-for-profit entities for annual periods beginning after December 15, 2018. NCPHS early adopted the guidance permitting the elimination of fair value disclosures for financial instruments measured at cost or amortized cost for the years ended December 31, 2017 and 2016. NCPHS is evaluating any further impacts this standard may have on its financial statements and disclosures.

In August 2016, the FASB issued an update to the ASC regarding the classification of certain transactions within the statement of cash flows. The guidance is effective for not-for-profit entities for annual periods beginning after December 15, 2018. NCPHS is evaluating the impact this standard may have on its financial statements and disclosures.

In March 2017, the FASB issued an update to the ASC regarding the presentation of net periodic benefit costs. The standard requires the bifurcation of net periodic cost related to postretirement benefits into service cost, which is to be included in operations, and other components, which must be reported outside of operations. The guidance is effective for not-for-profit entities for annual periods beginning after December 15, 2018. NCPHS is evaluating the impact this standard may have on its financial statements and disclosures.

(dollars in thousands)

3. Investment Securities

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

	2017	2016
Cash equivalents	$ 6,299	$ 16,495
U.S. Government securities	654	955
Common stocks	1,935	12,397
Corporate fixed income securities	11,099	2,068
Equity mutual funds	45,983	36,694
Fixed income mutual funds	31,644	29,318
Total Marketable Securities	97,614	97,927
Investment in real estate fund	2,660	2,500
Total Investment Securities	$ 100,274	$ 100,427

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

	2017	2016
Interest income	$ 2,579	$ 1,159
Net realized gains on sales of investments	1,788	4,395
Other than temporary impairment on investments	(270)	(833)
	$ 4,097	$ 4,721

(dollars in thousands)

4. Facilities

Facilities at December 31, 2017 and 2016 consist of the following:

	2017	2016
Continuing Care Facilities		
Sequoias - SF		
Land	$ 661	$ 661
Building and building equipment	91,725	88,422
Equipment and furniture	8,189	7,166
Less: Accumulated depreciation	(59,991)	(55,960)
	40,584	40,289
Sequoias - PV		
Land	303	303
Building and building equipment	75,746	73,333
Equipment and furniture	6,047	5,708
Less: Accumulated depreciation	(36,571)	(34,004)
	45,525	45,340
Tamalpais - RVH		
Land	850	850
Building and building equipment	58,471	56,169
Equipment and furniture	8,119	7,728
Less: Accumulated depreciation	(41,516)	(38,855)
	25,924	25,892
Continuing care facilities, net	112,033	111,521
Residential housing		
Eastern Park Apartments		
Land	451	451
Building and building equipment	11,360	11,100
Equipment and furniture	1,072	1,028
Less: Accumulated depreciation	(8,188)	(7,868)
	4,695	4,711
Residential housing, net	4,695	4,711

(dollars in thousands)

	2017	2016
Other facilities		
The Woods		
Land	735	735
Building and building equipment	6,164	5,768
Equipment and furniture	545	507
Less: Accumulated depreciation	(3,640)	(3,436)
	3,804	3,574
Corporate Office		
Building and building equipment	1,027	840
Equipment and furniture	8,892	8,611
Less: Accumulated depreciation	(5,934)	(5,266)
	3,985	4,185
SFSC		
Equipment and furniture	536	483
Less: Accumulated depreciation	(435)	(419)
	101	64
NSV		
Building and building equipment	-	6,167
Viamonte		
Building and building equipment	10,355	-
WPA L.P.		
Land	425	425
Building and building equipment	28,462	28,825
Equipment and furniture	1,009	410
Less: Accumulated depreciation	(6,856)	(6,107)
	23,040	23,553
TPT L.P.		
Land	1,429	1,400
Building and building equipment	33,968	29,234
Equipment and furniture	2,433	1,595
Less: Accumulated depreciation	(9,387)	(8,879)
	28,443	23,350
Other facilities, net	69,728	60,893
Total facilities, net	$ 186,456	$ 177,125

Total depreciation expense for the years ended December 31, 2017 and 2016, is $11,739 and $10,800, respectively.

(dollars in thousands)

Construction-in-progress of $12,138 and $32,629 as of December 31, 2017 and 2016, respectively are included in building and building equipment, and equipment and furniture above. 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:

	2017	2016
Beginning balance	$ 4,355	$ 5,163
Accretion expense	(49)	56
Changes in estimated cash flows	57	(56)
Liabilities settled in the current period	(784)	(808)
Ending balance	$ 3,579	$ 4,355

5. Investments Held in Trust

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

	2017	2016
Cash and cash equivalents	$ 385	$ 467
Fixed income mutual funds	4,683	4,181
Equity mutual funds	8,673	7,737
Corporate and government bonds	35	49
	$ 13,776	$ 12,434

6. Pledges Receivable

Pledges receivable were due as follows as of December 31:

	2017	2016
Current portion	$ 400	$ 105
Less: Allowance	(20)	(5)
Total current portion	380	100
Greater than one year to five years	255	205
Greater than five years to twenty years	25	75
	280	280
Less: Allowance	(14)	(14)
Less: Unamortized discount	(33)	(35)
Total noncurrent portion	$ 233	$ 231

(dollars in thousands)

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 monthly deposits 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.

Net Operating Income Reserve
Commencing on January 1, 2016 and continuing on the first day of each month thereafter until the earlier of the conversion date or the date upon which the balance in the reserve reaches $568, TPT L.P. was required to deposit no less than $36 each month into the reserve. The reserve was held by Citibank until the conversion date. At conversion of the construction loan to permanent financing, Citibank applied amounts held in the reserve to principal, interest, and any other amounts due under the terms of the loan agreement. At the conversion date of October 24, 2017, the net operating income reserve was fully withdrawn to pay down the construction loan.

Earnings attributable to these investments accrue to the facility. As of December 31, 2017 and 2016, the investments consisted of the following:

	2017	2016
Cash and certificates of deposits	$ 4,589	$ 3,509
United States Treasury securities	908	916
	$ 5,497	$ 4,425

8. Limited Use Assets

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

	2017	2016
California Health Facilities Financing Authority		
Revenue Bond Series 2015		
Project fund	$ 1,604	$ 4,475
Principal and interest fund	2,354	2,019
Debt service reserve fund	4,042	4,042
	8,000	10,536
Less: Current portion	(3,960)	(6,494)
	$ 4,040	$ 4,042

The composition of limited use assets at December 31, 2017 and 2016 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:

	2017	2016
Continuing care facilities		
California Health Facilities Financing Authority Revenue Bond Series 2015, Serial Bonds Payable through 2031, interest at 2.0%-5.0% totaling $22,450; term bonds due 2034, interest at 3.5%-5.0% totaling $6,895; term bonds due 2039, interest at 5.0% totaling $13,840; term bonds due 2044, interest at 4.0% totaling $4,000; term bonds due 2044, interest at 5.0% totaling $13,585.	$ 60,770	$ 61,900
Unamortized premium	6,830	7,137
Unamortized issuance costs	(3,049)	(3,160)
Continuing care facilities	64,551	65,877
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.	1,238	1,750
Western Park Apartments L.P. Citibank permanent loan, in monthly installments of $86 payable through 2045 including interest at 5.81%, collateralized by a first deed of trust on WPA L.P. real estate	15,108	15,247
Unamortized issuance costs	(710)	(738)
Town Park Towers L.P. Citibank construction loan, interest at LIBOR plus 1.75% through conversion in October 2017.		
Citibank permanent loan, in monthly installments of $108	-	
payable through 2051 including interest at 4.41% collateralized by a first deed of trust in TPT L.P. real estate	22,954	34,065
Unamortized issuance costs	(712)	
Residential housing	37,878	50,324
Other facilities		
SSNC Union Bank loan, interest at LIBOR plus 1.80% with principal due 2017, secured by marketable securities	-	10,000
Other facilities	-	10,000
Total debt	102,429	126,201
Less: Current portion	2,192	11,794
Total long-term debt	$ 100,237	$ 114,407

(dollars in thousands)

Scheduled principal payments on long-term debt are as follows:

2018	$ 2,192
2019	2,300
2020	1,863
2021	1,851
2022	1,942
Thereafter	89,922
	$ 100,070

California Health Facilities Financing Authority requires a project fund for major capital improvements at NCPHS facilities. $1,604 remains as of December 31, 2017.

The revenue bonds are insured by the State of California, through its Cal Mortgage Loan Program. The agreement with Cal Mortgage includes a number of covenants including the following:

- Maintenance of corporate existence
- Maintenance of records and filing of financial statements
- Payment of taxes
- Maintenance of exempt status
- Debt service coverage ratio of at least 1.25

As of December 31, 2017, NCPHS was in compliance with all debt covenants.

NCPHS's debt incurred in connection with its residential housing facilities includes covenants which require that these facilities be operated to provide housing for seniors whose income levels do not exceed certain thresholds. Rent increases are subject to approval and are limited to maintain affordability.

The most restrictive covenants of these loans 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 the provisions of section 202 of the National Housing Act. As of December 31, 2017, NCPHS was in compliance with these debt covenants.

On October 15, 2015, Citibank funded a construction loan on behalf of the City of San Jose (tax exempt bond issuer and governmental lender) in the amount of $45,000. TPT L.P. entered into an agreement with Citibank to borrow up to the $45,000 to acquire Town Park Towers and fund renovations. The construction loan used to construct improvements at Town Park Towers was paid down by TPT L.P. to $23,000 at the time of permanent conversion on October 24, 2017. Funds for the pay down of the construction loan were provided by a capital contribution from a limited partner investor.

Lines of Credit
NCPHS has lines of credit in the amount of $6 million in 2017 and 2016 with a bank, of which $4 million is collateralized by a gross revenue pledge and $2 million is unsecured. The lines of credit renew annually each July. At December 31, 2017 and 2016, NCPHS had an outstanding balance on these lines of credit of $0 and $2 million, respectively.

(dollars in thousands)

NCPHS has stand-by letters of credit totaling approximately $3 million to collateralize its obligations under a high deductible workers' compensation program as of December 31, 2017 and 2016, respectively, from the same bank that issued the lines of credit described above. No amounts were outstanding as of December 31, 2017 and 2016. 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 million.

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 2017 or 2016.

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, 2017 and 2016:

	2017				
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Un-observable Inputs (Level 3)	NAV as Practical Expedient
Assets Measured at Fair Value on a Recurring Basis (1)					
Marketable Securities (2)					
Unrestricted	$ 97,614	$ 97,614	$ -		
Investments Contractually Limited for Replacement	5,497	5,497			
Investments held in trust	13,776	13,776			
Trust Contributions Receivable (3)	620			$ 620	
Investment in Real Estate Fund (4)	2,660				$ 2,660
	$ 120,167	$ 116,887	$ -	$ 620	$ 2,660

	2016				
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Un-observable Inputs (Level 3)	NAV as Practical Expedient
Assets Measured at Fair Value on a Recurring Basis (1)					
Marketable Securities (2)					
Unrestricted	$ 97,927	$ 97,927	$ -		
Investments Contractually Limited for Replacement	4,425	4,425			
Investments held in trust	12,434	12,434			
Trust Contributions Receivable (3)	643			$ 643	
Investment in Real Estate Fund (4)	2,500				$ 2,500
	$ 117,929	$ 114,786	$ -	$ 643	$ 2,500

(dollars in thousands)

(1) For cash and cash equivalents limited use assets and investments designated for refundable deposits, the net carrying value approximates fair value at period end.

(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.

(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-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.

(4) This investment includes securities held in a limited partnership in which Net Asset Value (NAV) as a practical expedient has been used. This investment has not been classified in the fair value hierarchy, and the amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet.

There were no transfers of assets or liabilities between Level 1 and Level 2 during the years ended December 31, 2017 and 2016.

The change in value of the trust contributions receivable valued using significant unobservable inputs (Level 3) is shown below:

Fair value at December 31, 2016	$	643
New contributions		450
Maturities		(195)
Total net unrealized gains included in changes in net assets		(118)
Total net realized losses included in changes in net assets		(160)
Fair value at December 31, 2017	$	620
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, 2017	$	(365)
Fair value at January 1, 2016	$	559
Maturities		(40)
Total net unrealized gains included in changes in net assets		816
Total net realized losses included in changes in net assets		(692)
Fair value at December 31, 2016	$	643
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, 2016	$	(81)

(dollars in thousands)

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 obligation were as follows:

	2017	2016
Projected benefit obligation at December 31	$ (81,244)	$ (73,819)
Fair value of plan assets at December 31	70,079	59,051
Funded status	$ (11,165)	$ (14,768)

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

	2017	2016
Pension liability	$ 11,165	$ 14,768
Noncurrent liability	$ 11,165	$ 14,768

The accumulated benefit obligation is $74,978 and $68,004 as of December 31, 2017 and 2016, respectively.

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

	2017	2016
Weighted-average assumptions used to determine benefit obligations		
Discount rate	3.80%	4.35%
Rate of compensation increase	3.00%	4.39%
Weighted-average assumptions used to determine net periodic benefit cost for years ended		
Discount rate	4.35%	4.50%
Expected long-term return on plan assets	7.00%	7.25%
Rate of compensation increase	4.39%	3.00%

(dollars in thousands)

Net periodic pension cost for 2017 and 2016 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:

	2017	2016
Benefit cost	$ 1,836	$ 2,836
Employer contributions	2,800	2,700
Benefits paid	2,642	5,129

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

	2017	2016
Service cost	$ 2,242	$ 2,457
Interest cost	2,683	3,257
Expected return on plan assets	(4,145)	(4,136)
Amortization of net loss	1,056	1,258
Net periodic benefit cost	$ 1,836	$ 2,836

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

	2017	2016
Net actuarial loss	$ 14,741	$ 17,381
	$ 14,741	$ 17,381

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:

	2017	2016
Net actuarial (gains) losses	$ (1,584)	$ 831
Amortization of actuarial gains (losses)	(1,056)	(1,258)
	$ (2,640)	$ (427)

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, 2018 are as follows:

Net actuarial losses and prior service costs	$ 768
	$ 768

(dollars in thousands)

Projected benefits payments for the plan are as follows:

2018	$	3,308
2019		3,465
2020		3,646
2021		3,795
2022		3,953
2023-2027		22,722

NCPHS expects to contribute $1,800 to its pension plan in 2018.

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 7.00%. 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 8.00%, while fixed income investments are expected to return 4.67%. This produces an expected composite long term return on investment of 7.00%. Plan assets as of December 31, 2017 and 2016 were invested as follows:

	2017	2016
Cash and cash equivalents	$ 664	$ 872
Common stocks	11,645	9,692
Equity mutual funds	38,819	31,371
Fixed income mutual funds	18,951	17,116
	$ 70,079	$ 59,051

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 2017 and 2016, 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. Total employer contribution for the years ended December 31, 2017 and 2016, is $2.8 million and $2.7 million, respectively.

(dollars in thousands)

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.

Effective January 1, 2016, NCPHS adopted the spot rate approach to determine the discount rate utilized to measure the service cost and interest cost components of net periodic pension and other postretirement benefit costs. Under the spot rate approach, NCPHS calculates service cost and interest cost by applying individual spot rates from the “Buck Above Median Yield Curve” to the separate expected cash flow components of service cost and interest cost; service cost and interest cost for all other plans (including all plans prior to adoption) are determined on the basis of the single equivalent discount rates derived in determining those plan obligations. NCPHS accounted for this change as a change in accounting estimate and it was applied prospectively starting in 2016. NCPHS matched the Retirement Plan projected cash flows with the “Buck Above Median Yield Curve” to determine a single equivalent rate, rounded to the nearest quarter of a percent, which was used for determining the following year’s service cost and interest cost for the plan.

12. Endowments

SSNC's endowment consists of donor-restricted funds established for a variety of purposes. The purpose restrictions consist of financial assistance, meal subsidies, improvements to the quality of life to residents of certain NCPHS facilities and maintenance of a resident garden. 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 the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date 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	**2017**	**2016**
Temporarily restricted	$ 4,641	$ 3,957
Permanently restricted	6,632	6,486
	$ 11,273	$ 10,443

(dollars in thousands)

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

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2017	$ 3,957	$ 6,486	$ 10,443
Investment return:			
Investment income	513	-	513
Net appreciation (realized and unrealized)	177	-	177
Total investment return	690	-	690
Contributions		146	146
Appropriation of endowment assets for expenditure	(6)	-	(6)
Endowment net assets, December 31, 2017	$ 4,641	$ 6,632	$ 11,273

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2016	$ 3,362	$ 5,964	$ 9,326
Investment return:			
Investment income	348	-	348
Net appreciation (realized and unrealized)	262	-	262
Total investment return	610	-	610
Contributions		522	522
Appropriation of endowment assets for expenditure	(15)	-	(15)
Endowment net assets, December 31, 2016	$ 3,957	$ 6,486	$ 10,443

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, 2017 and 2016.

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 Directors, 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

(dollars in thousands)

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. Non-Controlling Interest

The change in non-controlling interest in WPA L.P. and TPT L.P. is shown below:

	WPA L.P.	TPT L.P.	Total
Non-controlling interest, January 1, 2016	$ 11,469	$ 1,354	$ 12,823
Capital contributions	-	-	-
Net income (loss)	(873)	(409)	(1,282)
Attributed net loss	(873)	(409)	(1,282)
Non-controlling interest, December 31, 2016	$ 10,596	$ 945	$ 11,541

	WPA L.P.	TPT L.P.	Total
Non-controlling interest, December 31, 2016	$ 10,596	$ 945	$ 11,541
Capital contributions	530	23,070	23,600
Net income (loss)	(849)	(667)	(1,516)
Attributed net loss	(849)	(667)	(1,516)
Non-controlling interest, December 31, 2017	$ 10,277	$ 23,348	$ 33,625

14. Commitments and Contingencies

NCPHS is involved in certain routine matters of litigation related to its operations. Management does not expect any material impact on the financial position 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, 2017, 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, 2017 is $125,000.

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.

15. Related Party Transactions

SSNC borrowed $10,000 from a third party in 2015 in connection with the purchase of a parcel of land in Walnut Creek, California on behalf of NCPHS, as a site for the development of a new continuing care retirement community. NCPHS agreed to reimburse SSNC for any costs incurred by SSNC to acquire and hold the land.

In 2016 NCPHS formed a new not for profit corporation, VSL, for which NCPHS is the sole corporate member, to develop, construct and operate the new community.

In 2017, VSL paid SSNC $11.2 million to acquire the land from SSNC under a purchase and sale agreement with SSNC, NCPHS and VSL. Although SSNC received the payment in 2017, title to the land was not transferred to VSL, and settlement of the related party transfer did not occur until March 2018.

16. Subsequent Events

No other subsequent events were noted through May 4, 2018, the date the financial statements were available to be issued.

Northern California Presbyterian Homes and Services, Inc.
Community Service Information (Unaudited)
December 31, 2017 and 2016
(dollars in thousands)

The following reflects the expenditures made by NCPHS net of amounts funded by grants and other donation support for the years ended December 31, 2017 and 2016:

	Program Expense	User Fees & Government Grants	Unsponsored Cost	Donation Support	Net Benefit 2017
Residential Financial Support	$ 24	$ -	$ 24	$ -	$ 24
Living at Home Program	2,639	(2,708)	(69)	(8)	(77)
Shared Housing Program	463	(471)	(8)	-	(8)
Experience Corp Marin	179	(6)	173	(173)	-
San Francisco Senior Center	1,216	(777)	439	(437)	2
	$ 4,521	$ (3,962)	$ 559	$ (618)	$ (59)

	Program Expense	User Fees & Government Grants	Unsponsored Cost	Donation Support	Net Benefit 2016
Residential Financial Support	$ 334	$ -	$ 334	$ (334)	$ -
Living at Home Program	1,949	(2,029)	(80)	-	(80)
Shared Housing Program	316	(236)	80	-	80
Experience Corp Marin	193	(5)	188	(44)	144
San Francisco Senior Center	1,216	(785)	431	(345)	86
	$ 4,008	$ (3,055)	$ 953	$ (723)	$ 230

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

- A Living at Home Program, which includes the Services Connection Program, whose social workers assist over 2,000 persons annually in primarily low-income settings in San Francisco and Santa Clara counties;
- Experience Corp Marin, which taps the skills of over 50 older adults to provide academic support to about 800 students in five San Rafael elementary schools;
- 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;
- Home Match San Francisco is a joint program of NCPHS and Episcopal Senior Communities. The program is a project funded by the Mayor's Office of Housing and Community Development, whose mission is to expand housing opportunities to low and moderate income people who live, work, or attend school in San Francisco by maximizing existing housing stock. The program provides a platform, tools, and support to connect homeowners and home seekers.

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Report of Independent Auditors
on Supplementary Information

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

We have audited the consolidated financial statements of Northern California Presbyterian Homes and Services, Inc. and its subsidiaries as of December 31, 2017 and 2016 and for the years then ended and our report thereon, in which we indicated the extent of our reliance on the reports of other auditors, appears on page 1 of Part 4 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 36 through 38 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 11, 2018

Northern California Presbyterian Homes and Services, Inc.
Details of Operations
Sequoias – San Francisco
For the year ended December 31, 2017
(dollars in thousands)

	2017	2016
Operating revenues and support		
Resident fees	$ 19,544	$ 18,620
Amortization of entrance fees	5,968	6,420
Fees for services and other income	4,303	3,342
Investment income including realized gains and losses on investments	-	-
Total operating revenues and support	29,815	28,382
Expenses		
Program expenses		
Housing		
Program	4,952	5,154
Interest expense	1,036	1,135
Depreciation	4,103	3,793
Food service	5,464	5,176
Health care	8,512	7,880
Other program services	3,221	3,203
	27,288	26,341
Program support expense		
Administration	2,361	2,247
Total expenses	29,649	28,588
Change in unrestricted net assets from operations	166	(206)
Other Changes		
Grants used for programs and facilities	134	132
Change in unrestricted net assets	$ 300	$ (74)

Northern California Presbyterian Homes and Services, Inc.
Details of Operations
Sequoias – Portola Valley
For the year ended December 31, 2017
(dollars in thousands)

	2017	2016
Operating revenues and support		
Resident fees	$ 17,077	$ 16,486
Amortization of entrance fees	5,608	5,324
Fees for services and other income	3,807	4,487
Investment income including realized gains and losses on investments	-	-
Total operating revenues and support	26,492	26,297
Expenses		
Program expenses		
Housing		
Program	6,071	5,362
Interest expense	662	725
Depreciation	2,619	2,502
Food service	4,937	5,081
Health care	7,645	7,451
Other program services	3,151	3,128
	25,085	24,249
Program support expense		
Administration	2,294	2,182
Total expenses	27,379	26,431
Change in unrestricted net assets from operations	(887)	(134)
Other Changes		
Grants used for programs and facilities	805	102
Change in unrestricted net assets	$ (82)	$ (32)

Northern California Presbyterian Homes and Services, Inc.
Details of Operations
Sequoias - Tamalpais
For the year ended December 31, 2017
(dollars in thousands)

	2017	2016
Operating revenues and support		
Resident fees	$ 16,856	$ 16,210
Amortization of entrance fees	4,802	5,458
Fees for services and other income	2,596	2,529
Investment income including realized gains and losses on investments	-	-
Total operating revenues and support	24,254	24,197
Expenses		
Program expenses		
Housing		
Program	6,789	5,226
Interest expense	797	873
Depreciation	2,720	2,500
Food service	4,497	4,274
Health care	6,853	6,552
Other program services	3,294	2,970
	24,950	22,395
Program support expense		
Administration	2,294	2,182
Total expenses	27,244	24,577
Change in unrestricted net assets from operations	(2,990)	(380)
Other Changes		
Grants used for programs and facilities	279	237
Change in unrestricted net assets	$ (2,711)	$ (143)

Part 5

Report of Independent Auditors

To the Board of Directors
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, 2017 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.

Auditors' 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 our judgment, including the assessment of the risks of material misstatement of the Reports, whether due to fraud or error. In making those risk assessments, we consider 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.

Opinion

In our opinion, the Reports referred to above present fairly, in all material respects, the liquid reserve requirements of Northern California Presbyterian Homes and Services, Inc. as of December 31, 2017, 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 Reports were 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 and are not intended to be a complete presentation of NCPHS's assets, liabilities, revenues and expenses. 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

San Francisco, California
May 11, 2018

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	03/01/80	$511,992	$104,346	$0	$616,338
2	04/15/15	$1,130,000	$2,880,860	$0	$4,010,860
3	06/12/15	$139,041	$881,849	$0	$1,020,890
4	10/01/17	$46,176	$1,001,619	$0	$1,047,795
5					$0
6					$0
7					$0
8					$0
		TOTAL:	$4,868,674	$0	$6,695,883

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

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

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

PROVIDER: Northern California 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)	$6,695,883
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:**	$6,695,883

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		$29,649,622
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$1,036,452	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$0	
	c.	Depreciation	$4,103,066	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$0	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$5,139,518
4		Net Operating Expenses		$24,510,104
5		Divide Line 4 by 365 and enter the result.		$67,151
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$5,036,323

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		$27,378,277
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$661,609	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$0	
	c.	Depreciation	$2,619,097	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$0	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$3,280,706
4		Net Operating Expenses		$24,097,571
5		Divide Line 4 by 365 and enter the result.		$66,021
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$4,951,556

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		$27,243,595
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$796,574	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$0	
	c.	Depreciation	$2,720,062	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$0	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$3,516,636
4		Net Operating Expenses		$23,726,959
5		Divide Line 4 by 365 and enter the result.		$65,005
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$4,875,403

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: 12/31/2017

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2017 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	$6,695,883
[2]	Operating Expense Reserve Amount	$14,863,282
[3]	**Total Liquid Reserve Amount:**	$21,559,165

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	$2,961,673		$2,961,673
[5]	Investment Securities	$11,730,132		$11,730,132
[6]	Equity Securities	$21,356,990		$21,356,990
[7]	Unused/Available Lines of Credit			
[8]	Unused/Available Letters of Credit			
[9]	Debt Service Reserve			(not applicable)
[10]	Other: Investment in Real Estate Fund (describe qualifying asset)	$1,330,025		$1,330,025
	Listed for Reserve Obligation: [11]	$37,378,820	[12]	$37,378,820
	Reserve Obligation Amount: [13]	$6,695,883	[14]	$14,863,282
	Surplus/(Deficiency): [15]	$30,682,937	[16]	$22,515,538

Signature: [signature]

(Authorized Representative)

Date: 4/26/2018

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 marketable securities of $74,757,640. NCPHS invests approximately 60% of its reserves in equity investments.

Per capita costs

The per capita cash cost of care excluding interest and depreciation expense for NCPHS's facilities for 2017 was as follows:

Sequoias San Francisco	$71,147
Sequoias Portola Valley	$77,609
Tamalpais	$78,436

Funds accumulated for specific projects and/or contingencies

NCPHS's reserves have not been designated for specific needs or projects. They are 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 2017, NCPHS's cash flow from operations including entrance fees was not sufficient to cover its activities so accumulated cash and marketable securities were required to fund projects. Projects in excess of $250,000 completed in 2017 were as follows:

Sequoias San Francisco

Staff served buffet line	$ 1,399,261
Apartment renovations	$ 465,067
Laundry project	$ 1,043,087

Sequoias Portola Valley

Master plan construction	$ 1,034,199
Apartment renovations	$ 597,211

Tamalpais

Electrical system upgrade	$ 1,090,226
Balcony Enclosures	$ 309,866

Projects included in the 2018 capital budget which are greater than $250,000 include the following:

Sequoias San Francisco

HC Refurbishment	$ 1,085,644
CA suites remodel	$ 700,000
Plumbing and fixtures	$ 800,000
Apartment renovations	$ 750,000
Fire Alarm/System Audible	$ 400,000
WIFI Tower HO Project	$ 285,000
Elopement System connected with WIFI	$ 270,000

Sequoias Portola Valley

Main building remodel	$ 9,500,000
Apartment renovations	$ 700,000
Elevator project	$ 565,000
Campus WIFI	$ 550,000
SNF Roof	$ 375,000

Tamalpais

Tower Elevators	$ 2,100,227
SNF Project	$ 1,000,000
IL Apartment capital improvements	$ 850,000
Nurse Call and Wander system	$ 465,908
Health Center décor update	$ 324,998
Parking Garage level sprinklers	$ 302,827

Northern California Presbyterian Homes and Services, Inc.
Note 1 to the Continuing Care Reserve Report (Part 5)
For the year ended December 31, 2017

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 and for the year ended December 31, 2017, 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: 04/20/2018

FACILITY NAME: The Sequoias - San Francisco

ADDRESS: 1400 Geary Boulevard, San Francisco, California ZIP CODE: 94109 PHONE: 415-922-9700

PROVIDER NAME: NCPHS, Inc. FACILITY OPERATOR: NCPHS, Inc.

RELATED FACILITIES: Six related facilities RELIGIOUS AFFILIATION: None

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:	60	ASSISTED LIVING:	18
APARTMENTS — 1 BDRM:	143	SKILLED NURSING:	50
APARTMENTS — 2 BDRM:	64	SPECIAL CARE:	19
COTTAGES/HOUSES:	3	DESCRIPTION:	> Memory Care
RLU OCCUPANCY (%) AT YEAR END:	97.0%		>

* *

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: $ 126,600 - $ 1,418,100 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: For Lifecare contacts, exclusions include Rx, dental, glasses, podiatry, psychiatry, and specified others, For Continuing care contracts health care benefits are available for an additional fee, onsite clinic is included in monthly fee.

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

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD (briefly describe provider's compliance and residents' role): >

In accordance with the requirements of AB 1751, the Resident Association Boards of the three CCRCs recommend to the NCPHS Board a resident to serve as a full voting Board member. Effective May 1, 2015, Kathie Cheatham, resident of Sequoias San Francisco was appointed to a three year term on the Board. For the 2018-2021 Board term, the resident association nominated and the Board appointed Neal McNamara, a TAM resident to serve on the board.

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 Library, Art Gallery	☑	☐

SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING (4 TIMES/MONTH)	☑	☑
MEALS (____/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 Medical Supplies	☑	☑

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, Inc.

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
The Sequoias - San Francisco	San Francisco, California	415-922-9700
The Sequoias - Portola Valley	Portola Valley, California	650-851-1501
The Tamalpais	Greenbrae, California	415-461-2300

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

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

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)
Western Park Apartments	San Francisco, California	415-922-5436
Eastern Park Apartments	San Francisco, California	415-776-0114
Town Park Towers	San Jose, California	408-288-8750

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

PROVIDER NAME: NCPHS, Inc.

	2014	2015	2016	2017
INCOME FROM ONGOING OPERATIONS OPERATING INCOME (Excluding amortization of entrance fee income)	$74,518	$73,496	$79,891	$83,087
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	75,470	79,791	79,527	$83,879
NET INCOME FROM OPERATIONS	(952)	(6,295)	364	(792)
LESS INTEREST EXPENSE	2,533	3,629	4,502	5,049
PLUS CONTRIBUTIONS	1,799	1,974	1,887	2,611
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	(18,142)	13,548	309	8,549
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$(19,828)	$5,598	$(1,942)	5,319
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$21,370	$22,170	$21,571	$22,898

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CHFFA	64,551,390	2.00-5.00%	2015	2044	30 years
Citibank	15,108,044	5.81%	2015	2045	30 years
Citibank	22,953,824	4.41%	2017	2034	15 years

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2015 CCAC Medians 50th Percentile *(optional)*	2015	2016	2017
DEBT TO ASSET RATIO		42.53%	42.85%	32.30%
OPERATING RATIO		110.36%	104.47%	99.34%
DEBT SERVICE COVERAGE RATIO		3.04	4.11	4.08
DAYS CASH ON HAND RATIO		425	453	442

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2014	%	2015	%	2016	%	2017
STUDIO	$3,805	4.0%	$3,956	5.3%	$4,164	4.6%	$4,355
ONE BEDROOM	$4,281	3.9%	$4,450	5.3%	$4,687	4.6%	$4,903
TWO BEDROOM	$7,206	4.0%	$7,492	5.4%	$7,894	4.5%	$8,252
COTTAGE/HOUSE	$8,944	4.0%	$9,298	5.5%	$9,805	4.6%	$10,253
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

>

>

PROVIDER NAME: NCPHS, Inc.

	2014	2015	2016	2017
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	$1,237,528	6.90%	1980	2020	40 years

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2015 CCAC Medians 50th Percentile *(optional)*	2015	2016	2017
DEBT TO ASSET RATIO				
OPERATING RATIO				
DEBT SERVICE COVERAGE RATIO				
DAYS CASH ON HAND RATIO				

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2014	%	2015	%	2016	%	2017
STUDIO			$				
ONE BEDROOM							
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

>

>

PROVIDER NAME: NCPHS, Inc.

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: 04/20/2018

FACILITY NAME: The Sequoias - Portola Valley

ADDRESS: 501 Portola Road, Portola Valley, California ZIP CODE: 94028 PHONE: 650-851-1501

PROVIDER NAME: NCPHS, Inc. FACILITY OPERATOR: NCPHS, Inc.

RELATED FACILITIES: Six related facilities RELIGIOUS AFFILIATION: None

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:	112	SKILLED NURSING:	43
APARTMENTS – 2 BDRM:	68	SPECIAL CARE:	18
COTTAGES/HOUSES:	2	DESCRIPTION: >	Memory Care
RLU OCCUPANCY (%) AT YEAR END:	96.6%	>	

* *

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: $97,000 - $1,639,000 **LONG-TERM CARE INSURANCE REQUIRED?** ❑ YES ■ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: For Lifecare contacts, exclusions include Rx, dental, glasses, podiatry, psychiatry, and specified others, For Continuing care contracts health care benefits are available for an additional fee, onsite clinic is included in monthly fee.

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

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD (briefly describe provider's compliance and residents' role): >

> In accordance with the requirements of AB 1751, the Resident Association Boards of the three CCRCs recommend to the NCPHS Board a resident to serve as a full voting Board member. Effective May 1, 2015, Kathie Cheatham, resident of Sequoias San Francisco was appointed to a three year term on the Board. For the 2018-2021 Board term, the resident association nominated and the Board appointed Neal McNamara, a TAM resident to serve on the board.

FACILITY SERVICES AND AMENITIES

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

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, Inc.

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
The Sequoias - San Francisco	San Francisco, California	415-922-9700
The Sequoias - Portola Valley	Portola Valley, California	650-851-1501
The Tamalpais	Greenbrae, California	415-461-2300

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

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

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)
Western Park Apartments	San Francisco, California	415-922-5436
Eastern Park Apartments	San Francisco, California	415-776-0114
Town Park Towers	San Jose, California	408-288-8750

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

PROVIDER NAME: NCPHS, Inc.

	2014	2015	2016	2017
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$74,518	$73,496	$79,891	$83,087
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	75,470	79,791	79,527	$83,879
NET INCOME FROM OPERATIONS	(952)	(6,295)	364	(792)
LESS INTEREST EXPENSE	2,533	3,629	4,502	5,049
PLUS CONTRIBUTIONS	1,799	1,974	1,887	2,611
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	(18,142)	13,548	309	8,549
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$(19,828)	$5,598	$(1,942)	5,319
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$21,370	$22,170	$21,571	$22,898

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CHFFA	64,551,390	2.00-5.00%	2015	2044	30 years
Citibank	15,108,044	5.81%	2015	2045	30 years
Citibank	22,953,824	4.41%	2017	2034	15 years

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2015 CCAC Medians 50th Percentile *(optional)*	2015	2016	2017
DEBT TO ASSET RATIO		42.53%	42.85%	32.30%
OPERATING RATIO		110.36%	104.47%	99.34%
DEBT SERVICE COVERAGE RATIO		3.04	4.11	4.08
DAYS CASH ON HAND RATIO		425	453	442

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2014	%	2015	%	2016	%	2017
STUDIO	$3,530	2.7%	$3,626	4.2%	$3,779	4.3%	$3,941
ONE BEDROOM	$4,331	2.8%	$4,451	4.2%	$4,638	4.3%	$4,838
TWO BEDROOM	$7,639	2.8%	$7,853	4.3%	$8,187	4.3%	$8,536
COTTAGE/HOUSE	$9,810	2.8%	$10,084	4.3%	$10,515	4.3%	$10,967
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

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PROVIDER NAME: NCPHS, Inc.

	2014	2015	2016	2017
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	$1,237,528	6.90%	1980	2020	40 years

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2015 CCAC Medians 50th Percentile *(optional)*	2015	2016	2017
DEBT TO ASSET RATIO				
OPERATING RATIO				
DEBT SERVICE COVERAGE RATIO				
DAYS CASH ON HAND RATIO				

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2014	%	2015	%	2016	%	2017
STUDIO			$				
ONE BEDROOM							
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

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PROVIDER NAME: NCPHS, Inc.

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: 04/20/2018

FACILITY NAME: The Tamalpais
ADDRESS: 501 Via Casitas, Greenbrae, California   ZIP CODE: 94904   PHONE: 415-461-2300
PROVIDER NAME: NCPHS, Inc.   FACILITY OPERATOR: NCPHS, Inc.
RELATED FACILITIES: Six related facilities   RELIGIOUS AFFILIATION: None
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:	44	ASSISTED LIVING:	22
APARTMENTS – 1 BDRM:	154	SKILLED NURSING:	52
APARTMENTS – 2 BDRM:	31	SPECIAL CARE:	0
COTTAGES/HOUSES:	0	DESCRIPTION: >	N/A
RLU OCCUPANCY (%) AT YEAR END:	94.3%	>	

* *

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: $93,400 - $1,116,600   **LONG-TERM CARE INSURANCE REQUIRED?** ❑ YES ■ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: For Lifecare contacts, exclusions include Rx, dental, glasses, podiatry, psychiatry, and specified others, For Continuing care contracts health care benefits are available for an additional fee, onsite clinic is included in monthly fee.

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

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD (briefly describe provider's compliance and residents' role): >
> In accordance with the requirements of AB 1751, the Resident Association Boards of the three CCRCs recommend to the NCPHS Board a resident to serve as a full voting Board member. Effective May 1, 2015, Kathie Cheatham, resident of Sequoias San Francisco was appointed to a three year term on the Board. For the 2018-2021 Board term, the resident association nominated and the Board appointed Neal McNamara, a TAM resident to serve on the board.

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 Medical Supplies	☑	☑

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, Inc.

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
The Sequoias - San Francisco	San Francisco, California	415-922-9700
The Sequoias - Portola Valley	Portola Valley, California	650-851-1501
The Tamalpais	Greenbrae, California	415-461-2300

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

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

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)
Western Park Apartments	San Francisco, California	415-922-5436
Eastern Park Apartments	San Francisco, California	415-776-0114
Town Park Towers	San Jose, California	408-288-8750

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

PROVIDER NAME: NCPHS, Inc.

	2014	2015	2016	2017
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$74,518	$73,496	$79,891	$83,087
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	75,470	79,791	79,527	$83,879
NET INCOME FROM OPERATIONS	(952)	(6,295)	364	(792)
LESS INTEREST EXPENSE	2,533	3,629	4,502	5,049
PLUS CONTRIBUTIONS	1,799	1,974	1,887	2,611
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	(18,142)	13,548	309	8,549
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$(19,828)	$5,598	$(1,942)	5,319
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$21,370	$22,170	$21,571	$22,898

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CHFFA	64,551,390	2.00-5.00%	2015	2044	30 years
Citibank	15,108,044	5.81%	2015	2045	30 years
Citibank	22,953,824	4.41%	2017	2034	15 years

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2015 CCAC Medians 50th Percentile *(optional)*	2015	2016	2017
DEBT TO ASSET RATIO		42.53%	42.85%	32.30%
OPERATING RATIO		110.36%	104.47%	99.34%
DEBT SERVICE COVERAGE RATIO		3.04	4.11	4.08
DAYS CASH ON HAND RATIO		425	453	442

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2014	%	2015	%	2016	%	2017
STUDIO	$3,456	4.0%	$3,593	4.8%	$3,767	4.5%	$3,938
ONE BEDROOM	$4,444	4.0%	$4,621	4.8%	$4,845	4.6%	$5,066
TWO BEDROOM	$7,674	3.9%	$7,977	4.9%	$8,367	4.4%	$8,738
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

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PROVIDER NAME: NCPHS, Inc.

	2014	2015	2016	2017
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	$1,237,528	6.90%	1980	2020	40 years

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2015 CCAC Medians 50th Percentile *(optional)*	2015	2016	2017
DEBT TO ASSET RATIO				
OPERATING RATIO				
DEBT SERVICE COVERAGE RATIO				
DAYS CASH ON HAND RATIO				

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2014	%	2015	%	2016	%	2017
STUDIO			$				
ONE BEDROOM							
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

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PROVIDER NAME: NCPHS, Inc.

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)	$3,645-10,643	$3,645-10,643	$3,645-10,643
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.60%	4.60%	4.60%

☐ 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, 2017
(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

There were four main factors that impacted the monthly care fee increase at The Sequoias – San Francisco for 2017.

- Operating cost increases
- Performance improvement
- Fee for service increase
- Resident Census

Operating costs increases impacted monthly care fees by 7.49% in 2017 over 2016. Health care expenses and Home office expenses increased 9.6% and 5.1%, respectively. Performance improvement added approximately 1.29% to the increase. Operating revenues have not covered operating expenses and this increase brings us closer to achieving a more balanced mix of costs and revenue. Fee for service income was budgeted to increase by 12.5% over 2016 with a resulting impact of reducing the need to increase monthly care fee by 1.95%. An increase in projected census lowered the monthly care fee increase by .63%. Changes in non-operating revenue and expenses items reduced the fee increase by 1.60%. The combination of these factors resulted in an average increase of 4.6%.

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)	$3,779-10,515	$3,779-10,515	$3,779-10,515
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.30%	4.30%	4.30%

☐ 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, 2017
(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

There were six main factors that impacted the monthly care fee increases at The Sequoias – Portola Valley for 2017.

- Fee for service revenue
- Operating cost increases
- Performance improvement
- Decline in fee for service revenue
- Resident census
- Other non-operating revenues and expenses

Operating costs increases impacted monthly care fees by 5.01% in 2017 over 2016. Dietory services and Home office expenses increased by 2.8% and 5.1%, respectively. We assumed an increase in census, which reduced the need for monthly fee increase by .6%. Performance improvement added approximately 2.1% to the increase. Operating revenues have not covered operating expenses and this increase brings us closer to achieving a more balanced mix of costs and revenue. Changes in non-operating revenue and expenses reduced the monthly care fee increase by 2.97%. Fee for service revenue decreased requiring an increase in monthly care fees by .76%. The combination of these factors resulted in an average increase of 4.3%.

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)	$3,767-10,186	$3,767-10,186	$3,767-10,186
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.60%	4.60%	4.60%

☐ 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, 2017
(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

There were five main factors that impacted the monthly care fee increases at The Tamalpais for 2017.

- Operating cost increases
- Fee for service revenue
- Resident census
- Performance improvement
- Non-operating revenues and expenses

Operating costs increase impacted monthly care fee increase by 4.88% in 2017 over 2016. Increases in home office and health care by 5.2%, and 11.1%, respectively in 2017 contributed to the increases in operating costs. An estimated decrease in resident census caused an additional increase in the monthly fees by 2.56%. Tamalpais operating expenses have exceeded operating revenues for several years. The 2017 monthly fee increase also includes an increase of approximately .86% to address this performance improvement. This increase was offset by an increase in fee for service revenue which reduced the need for monthly care fee increase by 3.93%. The combination of these factors resulted in an average increase of 4.6% at The Tamalpais.

Part 8

KEY INDICATORS REPORT

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
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	See next page										N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	-13.38%	-10.02%	-9.64%	-4.98%	5.40%	1.04%	0.67%	0.79%	0.21%	-0.02%	↑
3. Net Operating Margin - Adjusted (%)	9.43%	14.89%	16.15%	18.79%	17.66%	22.76%	22.59%	22.72%	22.06%	21.87%	↑
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	$58,888	$57,819	$98,102	$106,320	$109,180	$111,150	$116,123	$122,204	$128,446	$137,939	↑
5. Days Cash on Hand (Unrestricted)	278	261	425	453	442	459	470	480	489	510	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000	$115,674	$120,298	$128,151	$134,856	$141,053	$146,948	$152,967	$159,124	$164,877	$170,695	N/A
7. Net Annual E/F proceeds ($000)	$16,675	$20,965	$22,344	$22,641	$22,633	$23,800	$24,654	$25,540	$25,903	$26,680	N/A
8. Unrestricted Net Assets ($000)	-$1,473	-$16,344	-$5,380	-$13,871	-$4,536	$4,094	$12,302	$21,511	$30,527	$39,355	N/A
9. Annual Capital Asset Expenditure ($000)	$19,031	$27,225	-$15,008	-$29,274	-$33,590	-$24,810	-$22,712	-$23,459	-$23,765	-$21,581	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	-0.29	0.28	-0.04	0.74	2.04	1.59	0.78	0.88	0.84	0.83	↑
11. Annual Debt Service Coverage (x)	2.58	3.85	3.04	4.11	4.08	4.71	4.50	4.98	5.08	5.19	↑
12. Annual Debt Service/Revenue (%)	5.94%	5.63%	5.71%	5.19%	4.89%	4.83%	6.03%	5.47%	5.22%	5.07%	↓
13. Average Annual Effective Interest Rate (%)	3.44%	4.08%	3.97%	3.51%	4.92%	4.57%	4.48%	4.55%	4.57%	4.60%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	94.41%	76.01%	85.42%	85.36%	108.92%	113.58%	121.77%	131.04%	140.82%	154.79%	↑
15. Average Age of Facility (years)	14.70	15.25	14.29	13.34	13.23	12.39	11.78	11.73	11.18	10.68	↓

KEY INDICATORS REPORT

Northern California Presbyterian Homes & Services

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

						Projected	Forecast				
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)											**N/A**
Seqouias - San Francisco	88%	86%	94%	93%	97%	95%	95%	95%	95%	95%	
Sequoias - Portola Valley	90%	88%	98%	99%	97%	96%	96%	96%	96%	96%	
Tamalpais	91%	92%	94%	91%	94%	95%	95%	95%	95%	95%	

NORTHERN CALIFORNIA PRESBYTERIAN HOMES & SERVICES, INC.

Key Indicators Report - Management Discussion
December 31, 2017

Margin profitability indicators

Operating revenues increased by $3,540,904 in 2017 compared to 2016, while operating expenses increased by $3,908,442, resulting in a decrease to the net operating margin from -4.98% in 2016 to -5.40% in 2017. Operating revenues were negatively impacted by lower than expected census and utilization in 2017 than was budgeted. Operating expenses were over budget in 2017 due to higher resident turnover than expected and additional costs incurred to make apartments ready for resale. We expect to see an improvement to the margin profitability indicators in 2018 as we control costs and increase revenue.

Liquidity indicators

The investment markets performed well in 2017 resulting in a 13% increase in marketable securities. In addition, the cash from contributions increased by 10% in 2017 compared to 2016, this however, did not improve the cash balances because NCPHS through SSNC paid $10 million in 2017 to repay a loan incurred relating to the purchase of land to be used for the Viamonte project. As a result, NCPHS's liquid assets decreased slightly in 2017 compared to 2016. 2018 capital budget plans are extensive for 2018 with a major project planned at Sequoias Portola Valley. Liquidity indicators are not expected to improve significantly in 2018.

Capital structure indicators

NCPHS's capital structure ratios remained favorable in 2017. The Annual debt service coverage ratio in 2017 was 4.08 compared to a ratio of 4.11 in 2016. We expect the ratio to remain over 4.0 in the future.