



Certified Public Accountants
and Financial Advisors

**San Francisco Ladies' Protection
and Relief Society**
Annual Report
December 31, 2017



ANNUAL REPORT CHECKLIST

PROVIDER(S): San Francisco Ladies' Protection & Relief SocietyCCRC(S): The Heritage or Heritage on the MarinaPROVIDER CONTACT PERSON: Joseph Conroy, ControllerTELEPHONE NO.: (415) 202-0300 EMAIL: jconroy@heritagesf.orgA complete annual report must consist of **3 copies** of all of the following:

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$ 9,052
- If applicable, late fee in the amount of: \$ _____
- Certification by the provider's **Chief Executive Officer** that:
- The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - The provider is maintaining the required *liquid* reserves and, *when applicable*, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- "Continuing Care Retirement Community Disclosure Statement" for **each** community.
- Form 7-1, "Report on CCRC Monthly Service Fees" for **each** community.
- Form 9-1, "Calculation of Refund Reserve Amount", *if applicable*.
- Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.



EVIDENCE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)
03/13/2018

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

AGENCY Heffernan Insurance Brokers 180 Howard Street, Suite 200 San Francisco, CA 94105	PHONE (A/C, No, Ext): 1 (415) 778-0300	COMPANY Zurich American Insurance Company
FAX (A/C, No): (415) 778-0301	E-MAIL ADDRESS:	
CODE:	SUB CODE:	
AGENCY CUSTOMER ID #: THEHERI-01	License # 0564249	
INSURED San Francisco Ladies' Protection & Relief Society dba Heritage on the Marina 3400 Laguna St. San Francisco, CA 94123	LOAN NUMBER	POLICY NUMBER CPP013734303
	EFFECTIVE DATE 10/01/2017	EXPIRATION DATE 10/01/2018
	<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED	
THIS REPLACES PRIOR EVIDENCE DATED:		

PROPERTY INFORMATION

LOCATION/DESCRIPTION BLANKET LIMITS

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

COVERAGE INFORMATION

PERILS INSURED	BASIC	BROAD	SPECIAL	AMOUNT OF INSURANCE	DEDUCTIBLE
EMPLOYEE THEFT FORGERY OR ALTERATION			<input checked="" type="checkbox"/>	\$250,000 \$250,000	\$2,500 \$2,500

REMARKS (Including Special Conditions)

Special Conditions: RE: PROOF OF INSURANCE

CANCELLATION

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

ADDITIONAL INTEREST

NAME AND ADDRESS CA Department of Social Services Continuing Contracts Branch 744 P Street, MS-90 Sacramento, CA 95814	ADDITIONAL INSURED	LENDER'S LOSS PAYABLE	LOSS PAYEE
	MORTGAGEE		
LOAN #			
AUTHORIZED REPRESENTATIVE 			

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	89
[2]	Number at end of fiscal year	88
[3]	Total Lines 1 and 2	177
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	88.5
All Residents		
[6]	Number at beginning of fiscal year	104
[7]	Number at end of fiscal year	110
[8]	Total Lines 6 and 7	214
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	107
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.83

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses	\$11,598,687
[a]	Depreciation	\$655,004
[b]	Debt Service (Interest Only)	\$0
[2]	Subtotal (add Line 1a and 1b)	\$655,004
[3]	Subtract Line 2 from Line 1 and enter result.	\$10,943,683
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	83%
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	\$9,051,551
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$9,052

PROVIDER: San Francisco Ladies' Protection and Relief Society
COMMUNITY: Heritage on the Marina

**San Francisco Ladies' Protection
and Relief Society**
Financial Statements
December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Francisco Ladies' Protection
and Relief Society

We have audited the accompanying financial statements of San Francisco Ladies' Protection and Relief Society (dba The Heritage or Heritage on the Marina) (the "Society"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the 2017 financial statements referred to above present fairly, in all material respects, the financial position of San Francisco Ladies' Protection and Relief Society as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Society, as of and for the year ended December 31, 2016, were audited by DZH Phillips LLP, who merged with Squar Milner LLP as of January 1, 2018, and whose report, dated April 4, 2017, expressed an unmodified opinion on those statements.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Operating Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 information is fairly stated in all material respects in relation to the financial statements as a whole. The 2016 information was audited by DZH Phillips LLP, who merged with Squar Milner LLP as of January 1, 2018, and expressed that the 2016 information is fairly stated in all material respects in relation to the financial statements as a whole.

SQUAR MILNER LLP

San Francisco, California
April 30, 2018

San Francisco Ladies' Protection and Relief Society
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

ASSETS		
	2017	2016
Cash	\$ 10,767	\$ 82,136
Accounts receivable		
Residents	25,961	13,752
Medicare - net of contractual allowances of \$320,370 and \$191,139, respectively	341,251	173,291
Prepaid expenses	351,141	289,643
Investments	77,841,963	72,331,874
Property and equipment - net	14,275,325	12,655,452
Other Assets		
Custodian funds	6,208	5,697
Other	2,524	2,524
Total other assets	8,732	8,221
Total assets	\$ 92,855,140	\$ 85,554,369

LIABILITIES AND NET ASSETS		
Accounts payable	\$ 400,868	\$ 316,783
Accrued salaries and other expenses	349,919	320,419
Custodian funds	4,179	4,141
Unamortized entrance fees - refundable	2,407,037	1,750,021
Unamortized entrance fees - non-refundable	2,268,707	2,909,204
Total liabilities	5,430,710	5,300,568
Net Assets		
Unrestricted	86,513,574	79,461,933
Temporarily restricted	410,856	291,868
Permanently restricted	500,000	500,000
Total net assets	87,424,430	80,253,801
Total liabilities and net assets	\$ 92,855,140	\$ 85,554,369

San Francisco Ladies' Protection and Relief Society
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2017 and 2016

	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS:		
Operating revenue:		
Resident monthly fees	\$ 3,458,165	\$ 3,507,272
Entrance fee amortization	976,806	837,549
Private patient fees	2,130,408	1,900,197
Medicare program - net of contractual allowances	782,139	998,873
Guest charges	79,551	55,834
Other income	12,434	5,925
	<u>7,439,503</u>	<u>7,305,650</u>
Operating expenses:		
Resident services	10,943,683	10,567,191
Depreciation	655,004	587,375
	<u>11,598,687</u>	<u>11,154,566</u>
Total operating expenses		
	<u>11,598,687</u>	<u>11,154,566</u>
Loss from operations	(4,159,184)	(3,848,916)
Other income (expense) - net:		
Dividends and interest	1,080,513	916,275
Net realized and unrealized gain on investments	10,358,832	4,159,037
Investment management fee	(357,069)	(362,238)
Donations and bequests	38,848	54,086
Other income (expense)	3,912	(14,939)
	<u>11,125,036</u>	<u>4,752,221</u>
Total other income - net		
	<u>11,125,036</u>	<u>4,752,221</u>
Net assets released from restrictions	85,789	105,259
	<u>85,789</u>	<u>105,259</u>
Change in unrestricted net assets	<u>7,051,641</u>	<u>1,008,564</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Donations and bequests	105,707	97,435
Dividends and interest	10,121	10,203
Net realized and unrealized gain on investments	92,013	31,541
Investment management fee	(3,064)	(2,815)
Net assets released from restrictions	(85,789)	(105,259)
	<u>(85,789)</u>	<u>(105,259)</u>
Change in temporarily restricted net assets	<u>118,988</u>	<u>31,105</u>
Change in net assets	7,170,629	1,039,669
TOTAL NET ASSETS - beginning of year	<u>80,253,801</u>	<u>79,214,132</u>
TOTAL NET ASSETS - end of year	<u>\$ 87,424,430</u>	<u>\$ 80,253,801</u>

San Francisco Ladies' Protection and Relief Society
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES:		
Resident fees	\$ 3,445,956	\$ 3,530,927
Medicare	614,179	1,043,083
Proceeds from new entrance fees	1,132,750	678,000
Entrance fees refunded	(139,425)	-
Private patient fees	2,130,408	1,900,197
Donations and bequests	144,555	151,521
Interest and dividend income	1,090,634	926,478
Other cash receipts	91,985	61,759
Cash paid for salaries and related expense	(6,718,061)	(6,528,954)
Cash paid to suppliers	(4,530,229)	(4,224,540)
Net cash used in operating activities	(2,737,248)	(2,461,529)
CASH FLOWS PROVIDED BY (USED IN)		
INVESTING ACTIVITIES:		
Purchases of investment securities	(8,995,313)	(14,767,359)
Proceeds from sales of investment securities	13,936,069	21,752,345
Additions to property and equipment	(2,274,877)	(4,547,668)
Net cash provided by investing activities	2,665,879	2,437,318
Net decrease in cash	(71,369)	(24,211)
Cash - beginning of year	82,136	106,347
Cash - end of year	\$ 10,767	\$ 82,136

San Francisco Ladies' Protection and Relief Society
STATEMENTS OF CASH FLOWS (continued)
For the Years Ended December 31, 2017 and 2016

Reconciliation of change in net assets to net cash used in operating activities:

	<u>2017</u>	<u>2016</u>
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES:		
Change in net assets	\$ 7,170,629	\$ 1,039,669
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	655,004	587,375
Entrance fee amortization	(976,806)	(837,549)
Net realized and unrealized net gain on investments	(10,450,845)	(4,190,578)
Changes in operating assets and liabilities:		
Accounts receivable	(180,168)	67,866
Prepaid expenses	(61,498)	30,060
Accounts payable and accrued expenses	113,111	163,628
Proceeds from new entrance fees	1,132,750	678,000
Entrance fees refunded	(139,425)	-
	<u>(139,425)</u>	<u>-</u>
Net cash used in operating activities	<u>\$ (2,737,248)</u>	<u>\$ (2,461,529)</u>

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Francisco Ladies' Protection and Relief Society (dba The Heritage or Heritage on the Marina) (the "Society"), which was formed in 1853, is a nonprofit California corporation. The Society owns and operates The Heritage on the Marina in San Francisco, California, a continuing care retirement community.

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Net assets and changes therein are classified as follows:

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations and unappropriated earnings from permanently restricted net assets of the Society, with restrictions that will be met by actions of the Society and/or the passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that are to be maintained in perpetuity by the Society. The Society's endowment fund corpus is a permanently restricted net asset.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Out and About Endowment Fund

The Society has a \$500,000 endowment fund for the Out and About program for the residents. This fund's corpus is classified as permanently restricted. Earnings from the fund are used for the program costs.

The Society is subject to the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) governing endowments. The Society has interpreted this law as requiring the preservation of the fair value of the original gift as of the date of the gift. Accordingly, the Society classified the original value of the gift as permanently restricted.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Out and About Endowment Fund (continued)

Earnings from the donor restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed under the law.

In accordance with UPMIFA, the Society has adopted investment and spending policies for the endowment assets in order to preserve and enhance the value of the corpus in perpetuity, provide a relatively steady stream of earnings, and to balance the current and future funding needs of the Out and About Program.

The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments and fixed income mutual funds to achieve its long-term return objectives, with prudent risk constraints. To satisfy its long-term rate of return objective, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield (interest and dividends). The endowment assets are co-mingled with other marketable investment securities of the Society and are invested in a manner that is intended to earn an average annual real rate of return of 3% per year.

Annual spending is at the discretion of management with the goal of maintaining the program, while preserving the corpus of the endowment.

Investments

Investments in equity securities and fixed income mutual funds with readily determinable fair values are carried at fair value based on quoted prices in active markets. Other investments, consisting of international business trusts, which invest primarily in publicly traded equity securities, are valued at fair value using the Net Asset Value per Share (NAV)

Realized and unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities as a gain or loss on investments. Realized gains and losses are computed using the first-in, first-out method.

Fair Value Measurements

The Society considers the use of market-based information over entity specific information in valuing its marketable investment securities, using a three-level hierarchy for fair value measurements, based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Fair Value Measurements (continued)

The three-level hierarchy for fair value measurements is defined as follows:

- *Level 1* inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2* inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.
- *Level 3* inputs to the valuation methodology are unobservable and require significant judgment in determining fair value.

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

Fair Value of Financial Instruments

The carrying values of accounts receivable, prepaid expenses, and accounts payable approximate fair values based on the short-term maturities of these financial instruments.

Concentrations of Credit Risk

The Society maintains its cash balances at financial institutions located in San Francisco, California. At various times, the Society has maintained cash balances in excess of insured amounts (currently \$250,000 per depositor). Management believes it is not exposed to any significant risk on its cash accounts.

Accounts Receivable

Accounts receivable consist of balances due from residents and reimbursements due from Medicare and are stated at net realizable amounts. In the opinion of management, substantially all accounts receivable are collectible in full; therefore, no allowance for doubtful accounts is provided. Management's determination of the need for an allowance for doubtful accounts is based on an evaluation of the accounts receivable, past experience and contractual terms.

The contractual allowance represents differences between charges billed, which are computed using established rates, and amounts to be reimbursed from third party payors. The difference is between full charges for services provided and the allowable and reimbursable cost of the services provided. Contractual adjustments arising from various reimbursement arrangements with third-party payors are estimated in the period in which the services are rendered and adjusted when the reimbursement amounts are known.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Property and Equipment

The Society's policy is to capitalize all expenditures in excess of \$5,000, with a useful life of one year or longer, at cost if purchased, or fair value at the date of donation, if property is contributed. Depreciation on these assets is taken on the straight-line method of accounting over the estimated useful lives as follows:

	<u>Years</u>
Buildings and improvements	10-40
Furniture, equipment and fixtures	3-20

Gains or losses on dispositions of property and equipment are included in other income (expense).

Entrance Fees

The Society has agreements with a majority of the residents whereby the Society provides lifetime care and lodging for the residents in exchange for a one-time fee paid upon entrance plus adjustable monthly care fees thereafter.

Entrance fees are recognized as revenue on a straight-line basis over the expected remaining life of the residents as recomputed actuarially at the end of each year. Any unamortized entrance fees at the time of a residents' death are immediately recognized as revenue. For the years ended December 31, 2017 and 2016, amounts recognized as revenue due to deaths amounted to \$220,712 and \$84,580, respectively.

The resident agreement provides for the right to a full refund upon termination for up to 90 days from the date of the agreement. Thereafter, a proportionate refund is provided to the resident upon termination for a period of approximately 67 months from the date of the agreement. The maximum amount of potential refund obligations under existing agreements at December 31, 2017 and 2016 amounted to \$2,407,037 and \$1,750,021, respectively.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Statutory Reserve Requirements and Obligation to Provide Future Services

The Society is required to meet certain annual reserve requirements required by the California Department of Social Services to help assure adequate resources are available to provide for the lifetime welfare of the residents. At December 31, 2017 and 2016, the Society was in compliance with such requirements.

The Society is also required to record a liability recognizing an obligation to provide future services and the use of facilities to all current residents if the Society is not in actuarial balance. Actuarial balance occurs when the present value of future net cash out-flows, adjusted for certain non-cash items, is less than or equal to the present value of future net cash in-flows. The Society makes this calculation on an annual basis and was in actuarial balance for the years ended December 31, 2017 and 2016. The discount rate used in the calculations for the years ended December 31, 2017 and 2016 was 4%.

The Society is required to have an actuarial study done every five years. The latest study, dated December 31, 2014, indicated that the Society was in actuarial balance, assuming that future investment returns are sufficient to fund operating deficits.

Income Taxes

The Society is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d (or other states and code sections, as relevant). Accordingly, it has not provided for income taxes in these financial statements. Effective February 2004, the Society became an exempt private operating foundation as defined in Section 4940(d)(2) of the Internal Revenue Code. Accordingly, the Society is exempt from the 2% excise tax imposed on the net investment income of exempt private foundations. Certain other income and support tests must be met each year in order to remain exempt and management believes the Society continues to meet these tests as of December 31, 2017 and 2016.

Each year, management considers whether the Society has engaged in any activities that could affect the Society's income tax status or result in taxable income. Management believes that any positions the Society has taken are supported by substantial authority and would more likely than not be sustained upon examination by the applicable taxing authority. Accordingly, there are no potential tax liabilities to be recorded or disclosed in the financial statements.

Use of Estimates

Management of the Society has made estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and the reporting of revenue and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Use of Estimates (continued)

The Society amortizes entrance fees over the estimated remaining lives of the residents using actuarial tables based on current age and gender. The actual remaining lives will likely differ from the actuarial tables and the differences may be significant.

New Accounting Pronouncements

In August 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). ASU 2016-14 changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. ASU 2016-14 requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Society has not yet assessed the potential impact of this guidance on its financial statements.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through April 30, 2018, which represents the date the financial statements were available to be issued.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

2. UNAMORTIZED ENTRANCE FEES

For the years ended December 31, 2017 and 2016, unamortized entrance fees had the following activity:

	<u>2017</u>	<u>2016</u>
Balance - beginning of year	\$ 4,659,225	\$ 4,818,774
New entrance fees	1,132,750	678,000
	5,791,975	5,496,774
Less: refunds paid	(139,425)	-
Less: amortization included in operating revenue	(976,806)	(837,549)
Balance - end of year	<u>\$ 4,675,744</u>	<u>\$ 4,659,225</u>

Unamortized entrance fees are summarized as follows:

	<u>2017</u>	<u>2016</u>
Refundable	\$ 2,407,037	\$ 1,750,021
Non-refundable	2,268,707	2,909,204
Total	<u>\$ 4,675,744</u>	<u>\$ 4,659,225</u>

3. PROPERTY AND EQUIPMENT

At December 31, 2017 and 2016, property and equipment consists of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 2,911,689	\$ 2,911,689
Land improvements	1,103,308	1,103,308
Building and improvements	15,877,898	14,251,077
Equipment and furnishings	4,273,553	3,925,894
	24,166,448	22,191,968
Less: accumulated depreciation	(10,378,569)	(9,723,565)
	13,787,879	12,468,403
Projects in progress	487,446	187,049
	<u>\$ 14,275,325</u>	<u>\$ 12,655,452</u>

During the year ended December 31, 2016, the Society purchased adjacent property for approximately \$3.3 million. This property will be renovated prior to being placed in service.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

As of December 31, 2017 and 2016, market values of investments are as follows:

	<u>2017</u>	<u>2016</u>
Equity securities:		
Financial	\$ 7,765,049	\$ 6,233,062
Consumer growth	4,687,623	4,833,591
Consumer cyclicals	2,241,055	2,734,906
Technology	6,020,812	5,400,975
Energy	2,175,797	2,416,117
Other	8,145,457	7,145,412
Total equity securities	<u>31,035,793</u>	<u>28,764,063</u>
Fixed income mutual fund:		
Bernstein international duration institutional	21,025,469	20,709,234
International business trusts:		
Bernstein global style blend series	15,701,768	14,490,682
International value	7,709,616	7,085,124
Total international business trusts	<u>23,411,384</u>	<u>21,575,806</u>
Cash held for anticipated withdrawals	<u>2,369,317</u>	<u>1,282,771</u>
	<u>\$ 77,841,963</u>	<u>\$ 72,331,874</u>

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

All of the Society's investments are classified as Level 1 except for the international business trusts, which are excluded from classification in the fair value hierarchy as noted below.

During the year ended December 31, 2016, the Society early adopted Accounting Standards Update 2015-07, which amends FASB ASC 820 for entities that elect to measure the fair value of an investment using the net asset value per share (or its equivalent) practical expedient. Accordingly, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

There are no unfunded commitments on the international business trusts. Shares are redeemable within four days notice.

There have been no changes in the valuation techniques for the years ended December 31, 2017 and 2016.

For the years ended December 31, 2017 and 2016, net realized and unrealized gains on investments consisted of the following:

	<u>2017</u>	<u>2016</u>
Net realized and unrealized gain on investments	<u>\$ 10,450,845</u>	<u>\$ 4,190,578</u>
Classified in the statement of activities according to the following net asset classifications:		
Unrestricted net assets	\$ 10,358,832	\$ 4,159,037
Temporarily restricted net assets	<u>92,013</u>	<u>31,541</u>
	<u>\$ 10,450,845</u>	<u>\$ 4,190,578</u>

Cash withdrawn from marketable investment securities to fund current operations and capital projects totaled \$5,595,000 and \$4,160,000 in 2017 and 2016, respectively.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

5. RESTRICTED NET ASSETS

Temporarily Restricted Net Assets

At December 31, 2017 and 2016, temporarily restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Out and About Endowment Fund		
Accumulated Unspent Earnings	\$ 213,619	\$ 132,806
Grace and Favor Program	130,449	106,987
Gorman Fund	28,817	29,084
Other	16,590	4,670
Employee Appreciation Fund	10,002	7,834
Technology Fund	11,379	8,779
The Arts Fund	-	1,708
	<u>\$ 410,856</u>	<u>\$ 291,868</u>

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

5. RESTRICTED NET ASSETS (continued)

Out and About Endowment Fund

For the years ended December 31, 2017 and 2016, changes in endowment net assets are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - December 31, 2015	\$ 110,509	\$ 500,000	\$ 610,509
Investment return:			
Interest & dividends	10,203	-	10,203
Net gain on investment - net of investment management fees	28,699	-	28,699
Total investment return	38,902	-	38,902
Appropriated for expenditure	(16,605)	-	(16,605)
Endowment net assets - December 31, 2016	132,806	500,000	632,806
Investment return:			
Interest & dividends	10,121	-	10,121
Net gain on investments - net of investment management fees	88,949	-	88,949
Total investment return	99,070	-	99,070
Appropriated for expenditure	(18,257)	-	(18,257)
Endowment net assets - December 31, 2017	<u>\$ 213,619</u>	<u>\$ 500,000</u>	<u>\$ 713,619</u>

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

6. RETIREMENT PLAN

The Society has a 401(k) plan which is available to eligible employees, twenty-one years and older, generally after 90 days of employment. The Society makes non-elective Safe Harbor contributions to the Plan of 4% of eligible compensation after one year of service.

The Society's contributions to the 401(k) Plan for the years ended December 31, 2017 and 2016 amounted to \$158,468 and \$155,064, respectively.

7. OTHER DISCLOSURES

In accordance with the requirements of the California Department of Social Services, the Society is required to disclose all amounts accumulated for contingencies or accumulated or expended for identified projects or purposes. At December 31, 2017, the Society has not accumulated any funds for contingencies or identified projects or purposes.

SUPPLEMENTAL INFORMATION

San Francisco Ladies' Protection and Relief Society
SCHEDULES OF OPERATING EXPENSES
For the Years Ended December 31, 2017 and 2016

	2017	2016
Food Service:		
Salaries and wages	\$ 588,594	\$ 508,225
Employee benefits	254,361	187,757
House supplies	85,932	82,174
Repairs and maintenance	45,237	54,442
Food purchases	541,295	506,484
Outside services	881,004	879,172
Contract maintenance	8,596	2,591
Management fees	52,530	51,000
Miscellaneous	7,390	4,223
Allocation of expenses to Health Center and Medicare	(612,880)	(569,017)
	1,852,059	1,707,051
 Housekeeping and Maintenance of Building and Grounds:		
Salaries and wages	502,079	549,073
Employee benefits	194,134	201,519
Household supplies	79,220	90,190
Repairs and maintenance of furnishings	22,224	16,597
Buildings and equipment repairs and maintenance	139,773	128,752
Contract maintenance	78,985	95,437
Security	179,223	161,227
Miscellaneous	17,544	5,099
	1,213,182	1,247,894
 Health Center:		
Salaries and wages	2,804,845	2,758,646
Employee benefits	832,853	787,279
General supplies	10,746	25,331
Drugs and medical supplies	76,336	67,234
Repairs and maintenance	17,720	24,460
Medical services	179,232	49,273
Miscellaneous services and licenses	153,425	66,002
Telephone	4,111	7,603
Expenses allocated from other departments:		
Food Service	577,043	522,969
General and Administrative	590,242	568,638
	5,246,553	4,877,435

(continued)

San Francisco Ladies' Protection and Relief Society
SCHEDULES OF OPERATING EXPENSES
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Medicare:		
Drugs and medical supplies	31,527	33,286
Professional fees	16,875	14,302
Outside services	204,937	282,767
Miscellaneous	-	2,990
Expenses allocated from other departments:		
Food Service	35,837	46,048
General and Administrative	36,656	50,069
	<u>325,832</u>	<u>429,462</u>
Residents' Outside Medical Fees	<u>36,250</u>	<u>48,047</u>
Activities:		
Salaries and wages	252,097	265,468
Employee benefits	92,260	89,749
Program activities	138,214	141,150
	<u>482,571</u>	<u>496,367</u>
General and Administrative:		
Salaries and wages	1,015,728	1,004,341
Employee benefits	210,610	269,829
Office supplies	36,890	33,845
Accounting fees	67,750	45,785
Legal fees	58,396	44,586
Consulting fees	34,161	21,569
Telephone	20,076	39,905
Travel and conferences	32,947	31,435
Dues and other professional fees	95,272	111,697
Utilities	472,084	429,300
Insurance	131,217	131,531
Transportation	28,522	30,881
Planning and development	13,713	11,696
Miscellaneous	196,768	173,242
Allocation of expenses to Health Center and Medicare	(626,898)	(618,707)
	<u>1,787,236</u>	<u>1,760,935</u>
Total operating expenses - Resident Services	<u>\$ 10,943,683</u>	<u>\$ 10,567,191</u>

San Francisco Ladies' Protection and Relief Society

CONTINUING CARE RESERVE REPORT AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2017

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Francisco Ladies' Protection
and Relief Society

Report on the Continuing Care Reserve Report

We have audited the accompanying continuing care reserve report (the "Report") of San Francisco Ladies' Protection and Relief Society (dba The Heritage or Heritage on the Marina) (the "Society"), as of December 31, 2017. The accompanying Report was prepared for the purpose of complying with California Health and Safety Code Section 1792 and is not intended to be a complete presentation of the Society's financial statements.

Management's Responsibility for the Report

Management is responsible for the preparation and fair presentation of the Report in accordance with the report preparation provisions of California Health and Safety Code Section 1792; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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



INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the Report presents fairly, in all material respects, the liquid reserve requirements of the Society as of December 31, 2017 in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

This report is intended solely for the information and use of the board of directors and management of the Society and for filing with the California Department of Social Services and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

SQUAR MILNER LLP

San Francisco, California
April 30, 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					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:			\$0	\$0	\$0

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

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

PROVIDER: San Francisco Ladies' Protection and Relief Society

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

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

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	<u>\$0</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$0</u>
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	<u>NONE</u>
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	<u><u>\$0</u></u>

PROVIDER: San Francisco Ladies' Protection and Relief Society

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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$11,598,687</u>
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	<u>\$0</u>	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	<u>NONE</u>	
c.	Depreciation	<u>\$655,004</u>	
d.	Amortization	<u></u>	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$2,830,638</u>	
f.	Extraordinary expenses approved by the Department	<u>NONE</u>	
3	Total Deductions		<u>\$3,485,642</u>
4	Net Operating Expenses		<u>\$8,113,045</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$22,228</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$1,667,064</u></u>

PROVIDER: San Francisco Ladies' Protection and Relief Society

COMMUNITY: Heritage on the Marina

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: San Francisco Ladies' Protection and Relief Society
 Fiscal Year Ended: DECEMBER 31, 2017

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended DECEMBER 31, 2017 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 31-Dec-17 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$0
[2] Operating Expense Reserve Amount	\$1,667,064
[3] Total Liquid Reserve Amount:	\$1,667,064

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

<u>Qualifying Asset Description</u>	<u>Amount</u> (market value at end of quarter)	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents		\$10,767
[5] Investment Securities		\$2,369,317
[6] Equity Securities		\$75,472,646
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other:		
(describe qualifying asset)		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	\$0 [12]	\$77,852,730
Reserve Obligation Amount: [13]	\$0 [14]	\$1,667,064
Surplus/(Deficiency): [15]	\$0 [16]	\$76,185,666

Signature: _____

(Authorized Representative)

Date: _____

 Controller
 (Title)

San Francisco Ladies' Protection and Relief Society

CONTINUING CARE RESERVE REPORT

Year ended December 31, 2017

FORM 5-4 CALCULATION OF NET OPERATING EXPENSES - LINE 2e

Revenue received during the fiscal year for services to residents who did not have a continuing care contract:

Processing fees	\$	11,000
Revenue from private health care center patients		2,130,408
Medicare		614,179
Guest charges (meals, room and parking)		<u>75,051</u>
	\$	<u><u>2,830,638</u></u>

San Francisco Ladies' Protection and Relief Society
CONTINUING CARE RESERVE REPORT (continued)

Year ended December 31, 2017

Reconciliation of Statement of Cash Flows to form 5-4 line 2-e

	Per statement of cash flows	Amount included in Line 2e
Medicare for residents without a contract	\$ 614,179	\$ 614,179
Resident fees (including Medicare) for those with a contract	3,445,956	-
	\$ 4,060,135	\$ 614,179
Private health center patient fees	\$ 2,130,408	\$ 2,130,408
Other cash receipts		
Processing fees	\$ 11,000	\$ 11,000
Guest charges (meals, room and parking)	75,051	75,051
Other receipts	-	-
	\$ 86,051	\$ 86,051
Total - Line 2e		\$ 2,830,638

San Francisco Ladies' Protection and Relief Society
CONTINUING CARE RESERVE REPORT (continued)
Year ended December 31, 2017

FORM 5-5: ANNUAL RESERVE CERTIFICATION

The Society maintains the following reserves as of December 31, 2017:

Operating reserves	\$ 1,667,064
Funds restricted by donors	<u>910,856</u>
	<u>\$ 2,577,920</u>

PER CAPITA COST OF OPERATIONS

During the year ended December 31, 2017, the per capita cost of operations was as follows:

Operating expenses	\$ 11,598,687
Mean number of CCRC residents	<u>88.5</u>
Per capita cost of operations	<u>\$ 131,059</u>

San Francisco Ladies' Protection and Relief Society

FORM 5-5 DESCRIPTION OF RESERVES UNDER SB 1212

Year ended December 31, 2017

FORM 5-5 Description of reserves under SB 1212

Total qualifying assets as filed:	
Cash and cash equivalents	\$ 10,767
Investment Securities	2,369,317
Equity securities *	<u>75,472,646</u>
Total qualifying assets as filed	<u>77,852,730</u>
Reservations and designations:	
Reserve obligation amount	1,667,064
Temporarily and permanently restricted	<u>910,856</u>
	<u>2,577,920</u>
Remaining liquid reserves	<u>\$ 75,274,810</u>

* Equity securities include:	
Equity securities	\$ 31,035,793
Fixed income mutual funds	21,025,469
International business trusts	<u>23,411,384</u>
	<u>\$ 75,472,646</u>

San Francisco Ladies' Protection and Relief Society

FORM 5-5 FUNDS EXPENDED FOR PROJECTS UNDER AB 1169

Year ended December 31, 2017

During the year ended December 31, 2017, the Society expended \$2,274,877 for capital projects as follows:

Building improvements	\$ 1,348,040
Furniture and fixtures	197,515
Projects in progress	<u>729,322</u>
	<u>\$ 2,274,877</u>

San Francisco Ladies' Protection and Relief Society

FORM 7-1 ADJUSTMENTS IN MONTHLY CARE FEES

Year ended December 31, 2017

Adjustments to monthly fees

The Society's life care contracts do not specify a rate or dollar amount that monthly fees may be raised on an annual basis. The contracts allow for adjustments periodically as deemed necessary based on financial indicators. Fees are increased on an annual basis and the average increase in the current year was approximately 4.0% for life care contracts.

The monthly care revenues are from health center monthly fees and regular resident monthly fees. The total for the year ended December 31, 2017 was \$3,458,165.

Residents move between independent living, assisted living, and skilled nursing.

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)	\$3,000 - \$6,850 Per resident	\$8,900 Per resident	\$12,450 - \$15,750 Per resident
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.0%	5%	5%

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

[3] Indicate the date the fee increase was implemented: July 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: San Francisco Ladies' Protection and Relief Society
COMMUNITY: Heritage on the Marina

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

Date Prepared: 4/14/18

FACILITY NAME: The Heritage or Heritage on the Marina
 ADDRESS: 3400 Laguna Street, San Francisco, CA ZIP CODE: 94123 PHONE: (415) 202-0300
 PROVIDER NAME: San Francisco Ladies' Protection & Relief Society FACILITY OPERATOR: San Francisco Ladies' Protection & Relief Society
 RELATED FACILITIES: None RELIGIOUS AFFILIATION: None
 YEAR OPENED: 1958 NO. OF ACRES: 3+ MULTI-STORY: SINGLE STORY: BOTH: X
 MILES TO SHOPPING CTR: 0.2 miles MILES TO HOSPITAL: 2 miles

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>41</u>	ASSISTED LIVING <u>20</u>
APARTMENTS – 1 BDRM	<u>24</u>	SKILLED NURSING <u>32</u>
APARTMENTS – 2 BDRM	<u>3</u>	SPECIAL CARE <u> </u>
COTTAGES/HOUSES	<u>1</u>	DESCRIBE SPECIAL CARE: <u> </u>
% OCCUPANCY AT YEAR END	<u>92.6%</u>	

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N BY:

FORM OF CONTRACT: LIFE CARE CONTINUING CARE FEE FOR SERVICE
 ASSIGN ASSETS EQUITY ENTRY FEE RENTAL

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

RANGE OF ENTRANCE FEES: \$115,000 TO \$920,000 LONG-TERM CARE INSURANCE REQUIRED? Y N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Yes

ENTRY REQUIREMENTS: MIN. AGE: 65 PRIOR PROFESSION: N/A OTHER: No Max. Age

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	SERVICES AVAILABLE		INCLUDED	
	AVAILABLE	FEE FOR SERVICE	IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>4x</u>	
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	<u>3x</u>	
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	<u>Yes</u>	
CARD ROOMS	<input type="checkbox"/>	<input type="checkbox"/>		
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u> </u>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

PROVIDER NAME: San Francisco Ladies' Protection & Relief Society

CCRCs

LOCATION (City, State)

PHONE (with area code)

The Heritage or Heritage on the Marina

San Francisco, CA

(415) 202-0300

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

*** PLEASE INDICATE IF THE FACILITY IS LIFE CARE.**

PROVIDER NAME: San Francisco Ladies' Protection & Relief Society

	2014	2015	2016	2017
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	5,747,870	5,595,367	6,468,101	6,462,697
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	9,648,679	10,424,904	10,567,191	10,943,683
NET INCOME FROM OPERATIONS	(3,900,809)	(4,829,537)	(4,099,090)	(4,480,986)
LESS INTEREST EXPENSE				
PLUS CONTRIBUTIONS	33,257	207,921	54,086	38,848
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	6,009,959	(133,356)	4,698,135	11,086,188
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	2,142,407	(4,754,972)	653,131	6,644,050
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	2,784,100	261,000	678,000	993,325

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50 th Percentile (optional)	2015	2016	2017
DEBT TO ASSET RATIO		N/A	N/A	N/A
OPERATING RATIO		1.86	1.63	1.69
DEBT SERVICE COVERAGE RATIO		N/A	N/A	N/A
DAYS CASH-ON-HAND RATIO		2,634	2,474	2,844

**HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE**

	2014	%	2015	%	2016	%	2017
STUDIO	2,436 - 3,109	4.0	2,533 - 3,233	4.0	2,609 - 4,052	4.0	3,000 - 4,550
ONE BEDROOM	2,962 - 5,930	4.0	3,043 - 6,167	4.0	3,134 - 6,352	4.0	4,325 - 6,850
TWO BEDROOM	4,151 - 5,930	100.0	4,317 - 6,167	100.0	4,447 - 6,352	4.0	6,050 - 7,550
COTTAGE/HOUSE	6,401	4.0	6,657	4.0	6,857	4.0	7,131
ASSISTED LIVING	4,875	4.0	4,875	4.0	4,975	5.0	5,225
SKILLED NURSING	10,500 - 15,000	4.0	10,500 - 15,000	4.0	11,850 - 15,000	5.0	12,450 - 15,750
SPECIAL CARE	N/A		N/A		N/A		N/A

COMMENTS FROM PROVIDER: The monthly care fees listed above are not an average and range based on the Life Care (Type A) and Continuing Care (Type C) contracts. The Type C contract was added as an option in 2014, and therefore there are no historical rates for the Type C contract prior to this time.

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

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

DAYS CASH ON HAND RATIO

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

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.