PARADISE VALLEY
ESTATES

NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY

DBA PARADISE VALLEY ESTATES

STATE OF CALIFORNIA DEPARTMENT OF SOCIAL SERVICE

ANNUAL REPORT

CONTINUING CARE LICENSING DIVISION

AND

INDEPENDENT AUDITORS' REPORT

For the year ended December 31, 2019

PART l

ANNUALPROVIDER FEES

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	543
[2]	Number at end of fiscal year	537
[3]	Total Lines 1 and 2	1,080
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	540
	All Residents	
[6]	Number at beginning of fiscal year	562
[7]	Number at end of fiscal year	559
[8]	Total Lines 6 and 7	1,121
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	560.5
[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).	96.34%

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service – interest only)		36,756,194
[a]	Depreciation	4,594,668	
[b]	Debt Service (Interest Only)	1,775,257	
[2]	Subtotal (add Line 1a and 1b)		6,369,925
[3]	Subtract Line 2 from Line 1 and enter result.		30,386,269
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		96.34%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		29,274,131
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		29,274.13

PROVIDER: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
COMMUNITY: PARADISE VALLEY ESTATES

PART 2

CERTIFICATION BY CHIEF EXECUTIVE OFFICER

PARADISE VALLEY
ESTATES

April 22, 2020

State of California
Continuing Care Contracts Branch
California Department of Social Services
744 P. Street, M.S. 10-90
Sacramento, California 95814

This Certification Notice is submitted by the Northern California Retired Officers Community, dba Paradise Valley Estates; to The State of California, Community Care Licensing Division, Continuing Care Contracts Branch, pursuant to the requirements of the Continuing Care Contract Annual Reserve Report, for the year ended December 31, 2019.

To the best of my knowledge, after a review of the enclosed information, I certify the following to be true, complete and correct:

1. The Annual Report is correct.

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

3. The required reserves are being maintained.

Authorized Representative

K L Burk

Kevin L. Burke
Chief Executive Officer

2600 Estates Drive • Fairfield, CA 94533 • (707) 432-1100 • FAX (707) 432-0959

PART 3

EVIDENCE OF FIDELITY BOND

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 11/26/2019

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

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
Commercial Lines - (916) 589-8000
USI Insurance Services LLC - CA Lic#: 0D08409
10940 White Rock Rd
Rancho Cordova, CA 95670

CONTACT NAME:
PHONE (A/C, No, Ext): 916-589-8000 FAX (A/C, No):
E-MAIL ADDRESS: alicia.montore@usi.com

INSURER(S) AFFORDING COVERAGE		NAIC #
INSURER A :	Arch Specialty Insurance Company	21199
INSURER B :	Nationwide Mutual Insurance Company	23787
INSURER C :	Ironshore Specialty Insurance Company	25445
INSURER D :	Alaska National Insurance Company	38733
INSURER E :	Federal Insurance Company	20281
INSURER F :	Underwriters at Lloyds, London (IL)	15792

INSURED
Northern California Retired Officers Community
2600 Estates Drive
Fairfield CA 94533

COVERAGES **CERTIFICATE NUMBER:** 14675153 **REVISION NUMBER:** See below

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY			ALCGL00001101	12/01/2019	12/01/2020	EACH OCCURRENCE	$ 1,000,000
	CLAIMS-MADE X OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 1,000,000
							MED EXP (Any one person)	$ 25,000
							PERSONAL & ADV INJURY	$ 1,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE	$ 3,000,000
	X POLICY PRO-JECT LOC						PRODUCTS - COMP/OP AGG	$ 3,000,000
	X OTHER: Abuse & PL/EBL Claims Made 12/						Prof Liab/SML	$ 1M Occ/ $3M Agg
B	AUTOMOBILE LIABILITY			ACPBA3019067820	12/01/2019	12/01/2020	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
	X ANY AUTO						BODILY INJURY (Per person)	$
	OWNED AUTOS ONLY / SCHEDULED AUTOS						BODILY INJURY (Per accident)	$
	HIRED AUTOS ONLY / NON-OWNED AUTOS ONLY						PROPERTY DAMAGE (Per accident)	$
								$
C	X UMBRELLA LIAB X OCCUR			002220505	12/01/2019	12/01/2020	EACH OCCURRENCE	$ 10,000,000
	X EXCESS LIAB CLAIMS-MADE						AGGREGATE	$ 10,000,000
	DED RETENTION $ 0							$
D	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y / N			19AWD10747	01/01/2019	01/01/2020	X PER STATUTE OTH-ER	
	ANYPROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBEREXCLUDED? (Mandatory in NH)	N / A					E.L. EACH ACCIDENT	$ 1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE	$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	$ 1,000,000
E	D&O Liability Policy Deductible Pending & Prior Date			8248-7674	12/01/2019	12/01/2020	$5,000,000 $25,000 10/25/2005	

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Evidence of coverage

CERTIFICATE HOLDER

Northern California Retired Officers Community
2600 Estates Drive
Fairfield, CA 94533

CANCELLATION

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

AUTHORIZED REPRESENTATIVE

(This certificate replaces certificate# 14673001 issued on 11/25/2019)

Certificate of Insurance (Con't)

OTHER Coverage

INSR LTR	TYPE OF INSURANCE	ADDL INSR	WVD SUBR	POLICY NUMBER	EFFECTIVE DATE (MM/DD/YY)	EXPIRATION DATE (MM/DD/YY)	LIMIT
F	Cyber Liability			W1F2D3180202	12/01/2019	12/01/2020	$2,000,000 Aggregate Limit
	Policy Deductible						$5,000
E	Crime			8248-7674	12/01/2019	12/01/2020	$1,000,000 Limit (includes ERISA Coverage)
	Policy Deductible						$10,000 (except ERISA)

PART 4

AUDITED FINANCIAL STATEMENTS

Report of Independent Auditors and Financial Statements

PARADISE VALLEY
ESTATES

December 31, 2019 and 2018

Table of Contents

Independent Auditors' Report

To the Board of Directors
Northern California Retired Officers Community d.b.a. Paradise Valley Estates

We have audited the accompanying financial statements of Northern California Retired Officers Community d.b.a. Paradise Valley Estates (a California nonprofit public benefit Company) ("NCROC"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Emphasis of a Matter

As discussed in Note 2 to the financial statements, on January 1, 2019, NCROC adopted Accounting Standards Update ("ASU") 2016-01, *Financial Instruments*. The main objective of the ASU is enhancing the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The standard requires equity securities to be measured at fair value with changes in the fair value recognized through the performance indicator and has been applied through a modified-retrospective approach. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, NCROC adopted ASU No. 2016-02, *Leases (Topic 842),* as of January 1, 2019. The update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing transactions. The ASU has been applied using the modified-retrospective approach. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, as of and for the year ended December 31, 2019, NCROC adopted ASU No. 2016-18, *Restricted Cash*. The update addresses the diversity that exists in the classification and presentation of cash flows under Accounting Standards Codification ("ASC") Topic 230, *Statement of Cash Flows*. The adoption of the standard resulted in the inclusion of restricted cash and cash equivalents in the reconciling of the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern California Retired Officers Community d.b.a. Paradise Valley Estates, as of December 31, 2019 and 2018, and the result of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Francisco, California
March 19, 2020

Financial Statements

Northern California Retired Officers Community
d.b.a. Paradise Valley Estates
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 2,937,957	$ 2,297,104
Accounts receivable	390,903	525,243
Entrance fees receivable	782,500	854,000
Assets whose use is limited	86,406,640	13,467,334
Restricted deposits	2,174,446	1,544,614
Investments	44,776,128	35,396,949
Prepaid expenses	1,052,974	848,655
Inventory	91,275	108,571
Pledges receivable	60,000	60,000
Property and equipment, net	115,515,618	86,089,173
Other	5,322,945	626,428
Total assets	$ 259,511,386	$ 141,818,071
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 3,757,166	$ 1,964,694
Accrued personnel expenses	907,003	712,724
Accrued compensated annual leave	872,877	799,834
Accrued interest	2,822,797	920,516
Refundable deposits	2,174,446	1,544,614
Other accrued liabilities	769,552	644,871
Revenue bonds, net	144,403,734	43,742,030
Charitable remainder annuity trusts	42,058	83,202
Refundable entrance fees	8,058,833	6,522,739
Unearned entrance fees	65,437,655	62,642,390
Total liabilities	229,246,121	119,577,614
Net assets		
Without donor restriction	28,625,598	20,612,821
With donor restriction	1,639,667	1,627,636
Total net assets	30,265,265	22,240,457
Total liabilities and net assets	$ 259,511,386	$ 141,818,071

See accompanying notes.

Northern California Retired Officers Community
d.b.a. Paradise Valley Estates
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2019 and 2018

	2019	2018
Change in net assets without donor restriction		
Revenues		
Resident services	$ 18,915,306	$ 17,638,042
Health services	7,893,913	7,275,306
Amortization of entrance fees	7,627,555	7,379,688
Investment income	4,311,016	1,688,303
Unrealized change in value of investments	5,210,601	-
Other income	847,365	320,105
	44,805,756	34,301,444
Net assets released – restricted purpose met	309,574	220,634
Total unrestricted revenues	45,115,330	34,522,078
Operating expenses		
Salaries and benefits	19,591,402	18,392,966
Supplies	3,236,892	3,066,794
Other purchased services	1,206,175	1,764,733
Marketing and advertising	1,247,509	1,453,920
Repairs and maintenance	689,752	834,270
Utilities	2,351,914	2,213,859
Bad debt expense	29,972	8,930
Depreciation and amortization	4,594,668	4,299,790
Interest	1,252,208	1,654,336
Other operating expenses	2,555,702	2,016,993
Total operating expenses	36,756,194	35,706,591
Income (loss) from operations	8,359,136	(1,184,513)
Nonoperating expense		
Unrealized change in value of investments	(346,359)	(3,785,207)
Total nonoperating expense	(346,359)	(3,785,207)
Change in net assets without donor restriction	8,012,777	(4,969,720)
Change in net assets with donor restriction		
Restricted contributions	321,605	186,198
Net assets released – restricted purpose met	(309,574)	(220,634)
Change in net assets with donor restriction	12,031	(34,436)
Change in total net assets	8,024,808	(5,004,156)
Net assets, beginning of year	22,240,457	27,244,613
Net assets, end of year	$ 30,265,265	$ 22,240,457

Northern California Retired Officers Community
d.b.a. Paradise Valley Estates
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Cash received from residents	$ 26,943,559	$ 24,921,311
Contributions and miscellaneous revenue	1,127,826	468,441
Unearned entrance fees received from residents	10,494,320	12,384,196
Refund of unearned entrance fees	-	(74,130)
Investment income received	4,311,016	1,688,303
Interest paid, net of amount capitalized	(1,775,257)	(1,890,582)
Cash paid to suppliers and employees	(30,761,291)	(29,710,574)
Net cash provided by operating activities	10,340,173	7,786,965
Cash flows from investing activities		
Net change in assets whose use is limited	(26,304,869)	844,059
Proceeds from sale of investments	32,734,570	40,912,143
Purchase of investments	(37,432,849)	(36,923,856)
Proceeds from sale of property and equipment	3,000	-
Purchase of property and equipment	(29,268,641)	(9,404,545)
Net cash used in investing activities	(60,268,789)	(4,572,199)
Cash flows from financing activities		
Payments on revenue bonds	(2,825,000)	(2,715,000)
Proceeds from debt issuance, net	98,939,302	-
Refundable entrance fees received	2,010,020	903,494
Refund of refundable entrance fees	(473,926)	(247,500)
Net cash provided by (used in) financing activities	97,650,396	(2,059,006)
Net change in cash, cash equivalents and restricted cash	47,721,780	1,155,760
Cash, cash equivalents and restricted cash, beginning of year	9,885,960	8,730,200
Cash, cash equivalents and restricted cash, end of year	$ 57,607,740	$ 9,885,960

See accompanying notes.

	2019	2018
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	$ 8,024,808	$ (5,004,156)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of unearned entrance fees	(7,627,555)	(7,379,688)
Amortization of deferred financing costs	148,199	105,647
Depreciation and amortization	4,289,203	4,171,702
Net unearned entrance fees received	10,422,820	10,380,515
Unrealized gain (loss) on investments	(4,864,242)	3,785,207
(Loss) gain on disposal of property and equipment	(2,736)	447
Amortization of bond premium	(454,580)	(186,696)
(Increase) decrease in assets:		
Accounts receivable	134,340	7,963
Prepaid expenses	(47,053)	2,315
Inventory	17,296	29,045
Entrance fees receivable	71,500	440,000
Increase (decrease) in liabilities:		
Accounts payable and other accrued expenses	(733,813)	567,426
Accrued personnel expenses	194,279	34,641
Accrued compensated annual leave	73,043	79,797
Accrued interest	(68,469)	(49,550)
Refundable deposits	629,832	1,489,614
Other accrued liabilities	133,301	(687,264)
Net cash provided by operating activities	$ 10,340,173	$ 7,786,965
Non-Cash Investing Activities		
Purchases of property and equipment, accrued but not paid	$ 2,476,521	$ -

NOTE 1 – ORGANIZATION

The Northern California Retired Officers Community ("NCROC"), located in Fairfield, California, is a California nonprofit public benefit corporation organized to provide housing facilities and related services primarily to retired commissioned officers of the Uniformed Services and their spouses.

The facility consists of 321 housing units, public spaces and amenities, a 32-room assisted living facility and an 88-bed health service facility with 28 beds licensed for assisted living and 60 beds licensed as a skilled nursing facility. NCROC has a memory care facility with 18 available units.

NCROC operates primarily under the "continuing care" concept in which residents enter into a residential contract that generally provides for a specified entrance fee, with certain options for refunds, and for monthly service fees throughout the residents' tenancy. Generally, payment of these fees entitles residents to the use and privileges of NCROC for life. Residents are also entitled to certain health care services provided in the NCROC assisted living and skilled nursing facility. The residency agreement does not entitle the residents to an ownership interest in NCROC.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, 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:

> **Net assets without donor restrictions** – Represent unrestricted resources available to support NCROC operations and temporarily restricted resources that have become available for use by NCROC in accordance with the intention of the donor.
>
> **Net assets with donor restrictions** – Represent contributions that are limited in use by NCROC in accordance with donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Performance indicator – "Income (loss) from operations" as reflected in the accompanying statements of activities and changes in net assets, is the performance indicator. The performance indicator excludes receipt of contributions with donor restrictions and unrealized change in values of investments for available for sale securities.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10)*. The standard requires entities to measure equity investments that are not accounted for under the equity method or do not result in consolidation to be recorded at fair value and recognize any changes in fair value in the performance indicator. The new standard was adopted by NCROC on January 1, 2019. The standard requires the use of the cumulative effect transition method, except for equity securities without readily determinable fair values, for which the standard requires the application of the prospective transition method. As a result, unrealized gains of $5,210,601 for the year end December 31, 2019, are presented within gain (loss) from operations; had the standard been comparative, unrealized losses of $4,201,450 would have been presented within gain (loss) from operations for the year ended December 31, 2018. Management determined no cumulative effect adjustment was necessary as of January 1, 2019. There was no net impact to change in total net assets.

Cash and cash equivalents – NCROC considers all highly liquid instruments, with a maturity of three months or less at the time of purchase, to be cash equivalents. The carrying amount reported in the statements of financial position for cash and cash equivalents approximates fair value due to the short-term nature of these financial instruments.

In November 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-18, *Restricted Cash*, which amends (Topic 230), *Statement of Cash Flows* ("ASU 2016-18"). ASU 2016-18 requires that a statement of cash flows explains the change during the reporting period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. NCROC adopted ASU 2016-18 on January 1, 2018. As a result of adopting ASU 2016-18, the Company revised the presentation of cash, cash equivalents and restricted cash on the statements of cash flows for all the periods presented. Upon adoption of ASU 2016-18, NCROC recorded an increase of $1.5 million in net cash provided by operating activities and a decrease of $0.4 million in net cash provided by investing activities for the year ended December 31, 2018, related to reclassifying the changes in the restricted cash balance from operating activities and investing activities to the cash, cash equivalents and restricted cash balances on the statements of cash flows. The following table provides a reconciliation of the cash, cash equivalents and restricted cash balances within the statements of financial position that sums to the total of the same amounts shown in the statements of cash flows:

	December 31, 2019	December 31, 2018
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 2,937,957	$ 2,297,104
Restricted deposits	2,174,446	1,544,614
Cash and cash equivalents in assets limited as to use	52,495,337	6,044,242
Total cash, cash equivalents and restricted cash on the statements of cash flows	$ 57,607,740	$ 9,885,960

Assets whose use is limited – Assets whose use is limited at December 31, 2019 and 2018, consist of cash, money market funds, and other investments whose use is restricted by donors, the Board of Directors, or the bond agreements. The use of the California Health Facilities Financing Authority Revenue Bonds Series 2019, Series 2016 and Series 2013 assets are legally restricted per the bond agreements. All limited use assets are reported at fair market value.

Restricted deposits – Restricted deposits include funds placed in escrow by prospective residents who wish to reserve an independent living unit in the proposed addition, The Ridge. The deposits are made according to the guidelines set for in The Continuing Care Contract Statutes for the State of California in the Health and Safety Codes Chapter 10 of Division 2, Section 1781, which requires all deposits shall be placed in an escrow account, and remain until the department has authorized the release of the deposits, as provided in Section 1783.3.

Accounts receivable – Accounts receivable represent amounts due from residents for deposits, monthly service fees and health service fees. An allowance for doubtful accounts is based upon an analysis of the collectability of outstanding amounts. Accounts deemed uncollectible are charged against the allowance. Subsequent recoveries of bad debts are credited to the allowance. As of December 31, 2019 and 2018, all accounts were deemed collectible. Accounts receivable balances over 90-days at December 31, 2019 and 2018, were $16,077 and $18,030, respectively.

Entrance fees receivable – Entrance fees receivable consist of amounts due from residents. These amounts are supported by a signed continuing care contract, and in some cases, a promissory note. Generally, these amounts are satisfied at, or about, the time of initial residency by the contract holder(s). Promissory notes may contain a grace period with respect to interest, but only for a limited time. If the promissory note is extended, a 5% interest rate is assessed.

Investments – Investments consist of long-term certificates of deposit, mutual funds and debt and equity securities recorded at fair value. Equity securities consist of stocks of companies listed with the New York Stock Exchange or Nasdaq Stock Market.

The fair values for debt and equity securities are based upon the quoted market prices at year end. Accordingly, net realized and unrealized gains and losses on debt and equity securities are reflected in the statements of activities and changes in net assets.

Inventory – Inventory consists primarily of food and miscellaneous supplies and is stated at the lower of cost (principally using the first-in, first-out method).

Property and equipment – Property and equipment acquisitions in excess of $2,500 and with an estimated useful life of more than three years are capitalized at historical cost. Depreciation is computed using the straight-line method based upon the following estimated useful lives:

Building and improvements	10 to 80 years
Furniture and equipment	3 to 20 years
Land improvements	7 to 80 years
Vehicles	3 to 10 years

Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the statements of activities and changes in net assets.

NCROC evaluates whether events and circumstances have occurred that indicate whether the carrying value of long-lived assets have been impaired. In the event that NCROC determines that impairment has occurred, a write-down to estimated fair value would be recorded. Measurement is based on those assets' estimated fair values as compared to the carrying value. No events have occurred during the years ended December 31, 2019 and 2018, that would indicate an impairment of value.

Interest costs incurred on borrowed funds, less investment income earned on unspent borrowed proceeds during the period of construction of long-lived assets, are capitalized and amortized over the related assets' estimated useful lives.

Donated property – Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the asset must be used, the contribution is recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Pledges receivable – Unconditional promises to give are recorded in the financial statements as pledges receivable and contribution revenue in the period the promise is received. Pledges are written off in the period deemed uncollectible. The provision for uncollectible amounts is computed based upon management's evaluation of past experiences and analysis of current receivable balances. No pledges were written off for the years ended December 31, 2019 and 2018.

Deferred financing costs – Costs associated with the issuance of bonds are amortized over the term of the respective bonds using the effective interest method. As of December 31, 2019 and 2018, accumulated amortization was $951,733 and $803,534, respectively. For the years ended December 31, 2019 and 2018, amortization expense was $305,465 and $128,088, respectively. Deferred financing costs are included as a component of Revenue bonds, net in the accompanying Statements of Financial Position.

Bond premium – The bond premium is netted with the related Series 2013, Series 2016 and Series 2019 bonds and is amortized over the term of the bonds using the effective interest method. As of December 31, 2019 and 2018, accumulated amortization was $2,330,721 and $1,876,142, respectively. For the years ended December 31, 2019 and 2018, amortization expense was $454,580 and $186,696, respectively. In connection with the issuance of the Series 2016 $22,080,000 bonds (see Note 8), the Office of Statewide Health Planning and Development of the State California ("Cal-Mortgage") was paid $673,177 at the bond closing November 30, 2016, for the cost of insuring the bonds over the 30-year term. In connection with the issuance of the Series 2019 $95,985,000 bonds (see Note 8), Cal-Mortgage was paid $4,853,783 at the bond closing February 21, 2019, for the cost of insuring the bonds over the 30-year term.

Refundable and unearned entrance fees – Refundable entrance fees have been recorded as a liability and unearned entrance fees have been recorded as deferred revenue in the statements of financial position. NCROC offers one basic residency agreement (the "Agreement") with three different refund programs. The differences amongst the Agreement refund programs relate primarily to the amount of entrance fees refundable to the resident (or resident's estate) upon termination of the residency agreement. Under all plans, the resident has a limited time period to cancel the contract and receive a 100% refund of all entrance fees. This cancellation period is three months for contracts signed January 1, 2002, or later. Plan "0" provides for a declining refundable amount based on the length of residency and, generally, requires no refund after approximately four and one-half years of residency. Plans "50" and "95" provide for refunds of 50% and 95%, respectively, of entrance fees upon termination of the residency agreement.

The total liability for the refundable entrance fee contracts was $8,058,833 and $6,522,739 at December 31, 2019 and 2018, respectively. As required by the state of California, NCROC has established an escrow account that holds funds for the sole purpose of refunding entrance fees. The escrow balance is included in assets whose use is limited on the statements of financial position and was $5,386,227 and $4,420,794 as of December 31, 2019 and 2018, respectively.

Fees paid by the resident upon entering into a residency agreement, net of the portion thereof that is estimated refundable entrance fees and an administrative fee of $7,500 for Plan 0, are recorded as unearned entrance fees and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. Resident life expectancy is reevaluated annually.

Future service obligation – NCROC annually calculates the present value of the costs of future services and the use of facilities to be provided to current residents and compares that amount to expected resident service income and deferred revenue from unearned entrance fees. The calculation is an actuarially determined amount of future net cash flows, which is based on the present value of cash outflows and inflows (using a discount rate of 5.5% for 2019 and 5.0% for 2018) and adjusted for certain noncash items as compared to the balance of unearned entrance fees. This calculation indicates that no net liability for future service to current residents existed at December 31, 2019 and 2018.

Charitable remainder annuity trusts – NCROC has established a program under which donors may setup charitable remainder annuity trusts. Under this program, donors can contribute assets to NCROC and in return receive a guaranteed fixed income for life. NCROC recognizes contribution revenue for the difference between the fair value of the assets received and the annuity liability.

Annuity liabilities are recorded for the required life annuity payments at the present value of expected future cash payments discounted using current interest rates and actuarial assumptions for those annuities that have not been reinsured. The annuity obligations are adjusted each year for changes in the life expectancy of the beneficiaries and are reduced either as payments are made to the donor or as annuities are reinsured. The present value of future payment liabilities of charitable gift annuities was $42,058 and $83,202 at December 31, 2019 and 2018, respectively.

Revenue recognition – On January 1, 2018, NCROC adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (“ASC 606”) applying the full retrospective method. On January 1, 2019, NCROC adopted ASC 842, *Leases* (“ASC 842) applying the modified retrospective method. The adoption of ASC 606 and ASC 842 did not have a material impact on the measurement or on the recognition of revenue.

NCROC has elected the lessor practical expedient ASU 2018-11, *Leases, Targeted Improvements* (“ASU 2018-11”) within Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842") and recognizes, measures, presents, and discloses the revenue for services under their senior living residency agreements based upon the predominant component, either the lease or nonlease component, of the contracts. NCROC has determined that the services included under their independent living residency agreements have the same timing and pattern of transfer. NCROC has estimated that the lease component of such residency agreements are the predominant component of the contract and therefore recognizes resident services revenue under ASC 842.

NCROC has concluded that the nonlease components of their assisted living, skilled nursing and memory care residency agreements are the predominant component of the contract for existing agreements as of January 1, 2019, and therefore recognizes these revenues under ASC 606.

Resident services revenue

Resident services revenue is reported at the amount that reflects the consideration to which NCROC expects to be entitled to in exchange for the services provided. Under NCROC's resident services agreement, NCROC provides senior living services to residents for a stated monthly fee. For the year ended December 31, 2018, NCROC recognized revenue for senior living services under the resident services agreement for independent living in accordance with the provisions of ASC 840, *Leases* ("ASC 840"). For the year ended December 31, 2019, independent living revenue was recognized under ASC 842. The resident service agreements were determined to be accounted for as month-to-month leases as the residents have the right to terminate the contract at any time.

Health services revenue

Health services revenue is reported at the amount that reflects the consideration to which NCROC expects to be entitled to in exchange for providing care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and includes variable consideration for retroactive adjustments due to settlement of audits, reviews and investigations. Generally, NCROC bills patients and third-party payors at the beginning of each month and send a final bill or reconciliation at the time of discharge. Revenue is recognized in the month in which the performance obligations are satisfied.

Revenue for health service performance obligations satisfied over time is recognized based on actual charges incurred. NCROC believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in our skilled nursing facility and memory care facility. NCROC measures the performance obligation from admission into the skilled nursing facility or memory care facility to the point when it is no longer required to provide health care services to that resident, which is generally at the time of discharge.

NCROC determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party. NCROC determines its estimates of contractual adjustments based on contractual agreements and historical experience.

Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- Medicare: Certain health care services are paid at prospectively determined rates per discharge based on clinical, diagnostic or other factors. Certain services are paid based on a cost-reimbursement methodologies subject to certain limits. Physical services are paid based upon established fee schedules.

- Secondary Insurance: Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge NCROC's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon NCROC.

Settlements with third-party payors for retroactive adjustments due to audits, review or investigations are considered variable consideration and are included in the determination of estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and NCROC's historic settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price, were not significant in 2019 or 2018.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. NCROC estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments determined on a resident by resident basis. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to health services revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2019 and 2018, was not significant.

The following table shows health services revenue by line of service:

	Year ended December 31, 2019	Year ended December 31, 2018
Health services line of service		
Assisted living	$ 2,778,472	$ 2,222,267
Memory care	987,424	929,632
Skilled nursing	4,128,017	4,123,407
	$ 7,893,913	$ 7,275,306

Amortization of entrance fees

NCROC receives an upfront entrance fee when the basic residency agreement is signed. The basic residency agreement includes weekly housekeeping and 30 meals per month. In exchange for this fixed entrance fee and the monthly resident service fees the resident has the right to occupy a unit and continue to live in NCROC. The basic residency agreement creates a performance obligation to be satisfied over the resident's remaining life at NCROC. NCROC recognizes the revenue associated with the entrance fee using a straight-line method over the actuarially determined estimated life of each resident. Resident life expectancies are reevaluated annually and any changes in the revenue as a result of that revaluation will be recognized in the period noted. As of December 31, 2019 and 2018, NCROC had $65,437,655 and $62,642,390 in unearned entrance fee revenue to be recognized as the performance obligations are satisfied. See footnote 9 for changes in the unearned entrance fee revenue for the years ended December 31, 2019 and 2018. The performance obligation is satisfied upon termination of the residency agreement.

Contributions – NCROC reports unconditional contributions of cash and other assets at fair value at the date the contribution is made. Conditional contributions are reported at fair value at the date the conditions are substantially met. Contributions received are recorded as either unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Donor-restricted contributions and related gains and investment income are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Charity care – NCROC provides care without charge or at amounts less than its established rates to residents who meet certain criteria under its charity care policy. Because NCROC does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue.

Donated services – Significant amounts of time from a number of people have been donated to NCROC. The accompanying financial statements do not reflect the value of those donated services, as no reliable basis exists for reasonably determining the amounts involved.

Marketing and Advertising Expenses – The cost of advertising, promotion and marketing programs are charged to expense in the year incurred. For the years ended December 31, 2019 and 2018, NCROC incurred marketing and advertising costs of $1,960,275 and $2,124,460, respectively.

Workers' compensation plan – NCROC is self-insured for workers' compensation. Claims are accrued under the plan as the incidents that give rise to them occur. Unpaid claims accruals, including estimates of incurred but not reported claims, are based on the estimated ultimate cost of settlement, including claim settlement expenses, in accordance with NCROC's past experience. There is no workers' compensation reserve liability as of December 31, 2019 and 2018.

Concentration of credit risk – Financial instruments potentially subjecting NCROC to concentrations of credit risk consist primarily of bank demand deposits in excess of the Federal Deposit Insurance Corporation insurance thresholds and cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds. Demand deposits are placed with local financial institutions, and management has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the financial statements. The risk associated with the investments is mitigated through diversification.

Concentration of credit risk results from NCROC granting credit without collateral to its residents and patients, most of whom are local residents and insured under third-party payor agreements. The mix of receivables as of December 31, 2019 and 2018, from residents and third-party payors is listed at Note 17.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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, expenses, gains, and losses during the reporting period. Significant items subject to such estimates and assumptions include the fair values of investments, future service obligation, depreciation, and unearned entrance fees. Actual results could differ from those estimates.

Fair value of financial instruments – NCROC's financial instruments consist of accounts receivable, entrance fees receivable, pledges receivable, investments, assets whose use is limited, deposits, accounts payable, accrued expenses, charitable gift annuities, and revenue bonds. It is management's opinion that NCROC is not exposed to significant interest rate or credit risk arising from these instruments. Unless otherwise indicated, the fair value of all reported assets and liabilities that represented financial instruments approximate their carrying values. NCROC's policy is to recognize transfers in and transfers out of Level 1 and Level 2 as of the end of the reporting period. Please see Note 5 for fair value hierarchy disclosures.

New accounting pronouncements – In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 replaces the current incurred loss impairment methodology for credit losses with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Company will be required to use a forward-looking expected credit loss model for accounts receivable and other financial instruments. The adoption of ASU 2016-13 is effective for NCROC beginning January 1, 2023. The adoption of ASU 2016-03 is not expected to have a material impact on NCROC's financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40)* ("ASU 2016-13"). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The adoption of ASU 2018-15 is effective for NCROC beginning January 1, 2021. The adoption of ASU 2018-15 is not expected to have a material impact on NCROC's financial statements.

Reclassifications – Certain financial statement reclassifications have been made to prior year balances for comparability purposes and had no impact on change in net assets as previously reported.

NOTE 3 – TAX STATUS

NCROC has been granted an exemption from federal income tax under the Internal Revenue Code, Section 501(c)(3). This Internal Revenue Code section provides for taxation of certain unrelated business income. Management believes that NCROC has had no significant unrelated business income to date. NCROC is exempt from state income tax under similar provisions of the Franchise Tax Board of the State of California. At December 31, 2019 and 2018, there were no such uncertain tax positions.

NOTE 4 – ASSETS WHOSE USE IS LIMITED

The use of these assets is restricted as follows:

	2019	2018
Funds held by trustee		
2013 Bond funds:		
Interest fund	$ 425,638	$ 484,910
Principal fund	2,456,830	2,348,621
Reserve fund	3,285,191	3,196,591
	6,167,659	6,030,122
2016 Bond funds:		
Interest fund	430,964	438,141
Revenue fund	-	457,615
Principal fund	502,363	486,775
	933,327	1,382,531
2019 Bond funds:		
Capitalized interest fund	2,315,089	-
Interest fund	1,970,750	-
Revenue fund	58,700	-
Project fund	64,581,859	-
Reserve fund	3,092,722	-
	72,019,120	-
Other limited uses		
Benevolence fund	1,679,549	1,409,829
Entrance fee refund escrow	5,386,227	4,420,794
Charitable annuities	220,758	224,058
	7,286,534	6,054,681
	$ 86,406,640	$ 13,467,334

Expenditures of $125,035 and $151,734 were made from the benevolence funds during the years ended December 31, 2019 and 2018, respectively.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are observable, either directly or indirectly, but are not quoted prices included within Level 1. Level 2 includes those financial instruments that are valued using external inputs with models or other valuation methodologies.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the statements of financial position at December 31, 2019 and 2018, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Cash and cash equivalents – Level 1 securities include cash and cash equivalents, including those held in bond sinking funds and held for refundable deposits, as recapped below.

Investments and assets whose use is limited – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents held for investment, exchange traded equities, growth funds, debt securities and equity securities, and are valued at the closing price reported in the active market in which the individual security is traded. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics, discounted cash flows, or net asset values. Level 2 investments consist of certificates of deposit.

Charitable remainder annuity trusts – The fair value for charitable remainder annuity trusts is determined by calculating the present value of cash flows expected to be paid out, using various discount rates and life expectancy tables.

NCROC's Board of Directors meets with management and the investment advisors to review the strategy and ongoing performance of all investments, including analyzing changes in fair value measurements from period to period.

The following tables present the fair value hierarchy for those financial instruments measured at fair value on a recurring basis:

	December 31, 2019			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets at fair market value:				
Cash and cash equivalents	$ 54,445,252	$ 54,445,252	$ -	$ -
Certificates of deposit	555,906	-	555,906	-
Government securities	33,212,067	33,212,067	-	-
Corporate bonds	7,038,093	7,038,093	-	-
U.S. equity securities	9,684,983	9,684,983	-	-
Mutual funds	26,246,467	26,246,467	-	-
Total assets at fair market value	$ 131,182,768	$ 130,626,862	$ 555,906	$ -
Liabilities:				
Charitable annuity trusts	$ 42,058	$ -	$ -	$ 42,058

	December 31, 2018			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets at fair market value:				
Cash and cash equivalents	$ 8,897,801	$ 8,897,801	$ -	$ -
Certificates of deposit	824,032	-	824,032	-
Government securities	4,298,910	4,298,910	-	-
Corporate bonds	11,287,183	11,287,183	-	-
U.S. equity securities	9,372,562	9,372,562	-	-
Mutual funds	14,183,795	14,183,795	-	-
Total assets at fair market value	$ 48,864,283	$ 48,040,251	$ 824,032	$ -
Liabilities:				
Charitable annuity trusts	$ 83,202	$ -	$ -	$ 83,202

The following table reconciles the beginning and ending balances of recurring fair value measurements significant unobservable (Level 3) inputs:

	Charitable gift annuities
January 1, 2018	$ 121,064
Payments made to annuitants	(56,163)
Net change in present value of annuities	18,301
December 31, 2018	83,202
Payments made to annuitants	(49,764)
Net change in present value of annuities	8,620
December 31, 2019	$ 42,058

NOTE 6 – PLEDGES RECEIVABLE

Pledges receivable consists of the following:

	2019	2018
Benevolence fund pledge	$ 30,000	$ 30,000
Operations fund pledge	30,000	30,000
	$ 60,000	$ 60,000
Receivable in less than one year	$ -	$ -
Receivable in one to five years	30,000	30,000
Receivable in more than five years	30,000	30,000
	$ 60,000	$ 60,000

As of December 31, 2019 and 2018, there was no allowance for uncollectible pledges, as the pledges were deemed collectible.

NOTE 7 – PROPERTY AND EQUIPMENT, NET

A summary of property and equipment is as follows:

	2019	2018
Land	$ 9,863,452	$ 9,863,452
Land improvements	13,531,875	13,401,579
Building and improvements	86,834,934	85,011,016
Furniture and equipment	24,603,208	23,763,797
Vehicles	918,545	869,114
	135,752,014	132,908,958
Less: accumulated depreciation	(62,916,588)	(58,726,460)
	72,835,426	74,182,498
Construction in progress	42,680,192	11,906,675
	$ 115,515,618	$ 86,089,173

Construction contracts of approximately $77,800,000 exist for construction of the Ridge campus expansion project. As of December 31, 2019, the remaining commitment on these contracts is approximately $53,300,000.

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health & Safety Code. Through December 31, 2019, NCROC has expended $37,021,771 for the Ridge campus extension project.

NOTE 8 – REVENUE BONDS

A summary of revenue bonds is as follows:

	2019	2018
California Health Facilities Financing Authority Revenue Bonds, Series 2013:		
Interest from 2.0% to 3.5% payable semi-annually. Beginning January 1, 2014, principal payments due serially to January 2026.	$ 19,485,000	$ 21,825,000
California Health Facilities Financing Authority Revenue Bonds, Series 2016:		
Interest from 2.0% to 5.0% payable semi-annually. Beginning January 1, 2017, principal payments due serially to January 2047.	21,120,000	21,605,000
California Health Facilities Financing Authority Revenue Bonds, Series 2019:		
Interest from 2.0% to 5.0% payable semi-annually. Beginning July 1, 2019, principal payments due serially to January 2049.	95,685,000	-
	136,290,000	43,430,000
Plus: unamortized bond premium	10,710,003	1,520,792
Less: unamortized deferred financing costs	(2,596,269)	(1,208,762)
	$ 144,403,734	$ 43,742,030

In February 2019, NCROC issued $95,685,000 California Municipal Finance Authority Insured Revenue Bonds, Series 2019 (“Series 2019 Bonds”), net of bond premium of $9,643,790. Proceeds from the Series 2019 Bonds were used to finance the construction, improvement, furnishing and equipping of the Ridge campus expansion project. The Series 2019 Bonds are secured on a parity basis with the California Municipal Finance Authority Insured Revenue and Refunding Bonds, Series 2016 (“Series 2016 Bonds”), and California Health Facilities Financing Authority Insured Revenue Bonds, Series 2013 (“Series 2013 Bonds”) by the lien of Deed of Trust and a pledge of the gross revenues from NCROC.

In December 2016, NCROC refinanced its California Health Facilities Financing Authority Insured Revenue Bonds, Series 2005 (“Series 2005 Bonds”) through the issuance of the $22,080,000 Series 2016 Bonds, net of bond premium of $285,636. Proceeds from the Series 2016 Bonds were used to (1) refinance the Series 2005 Bonds; and (2) finance or reimburse NCROC for the costs of constructing, expanding, remodeling, renovating, and furnishing NCROC. The Series 2016 Bonds are secured on a parity basis with the California Health Facilities Financing Authority Insured Revenue Bonds, Series 2013 (“Series 2013 Bonds”) by the lien of Deed of Trust and a pledge of the gross revenues from NCROC.

The Series 2013 Bonds are collateralized by current and future gross revenues of NCROC and all real property. Additionally, NCROC is required to comply with certain debt covenants with respect to additional borrowings, maintenance of insurance, financial reporting, and maintenance of certain financial ratios. Also, under the terms of the bonds, NCROC is required to maintain certain deposits with a trustee. Management believes they are in compliance with these covenants as of December 31, 2019 and 2018.

Future principal payments on the bonds are as follows:

Year Ending December 31,	Series 2013	Series 2016	Series 2019	Total
2020	$ 2,455,000	$ 500,000	$ -	$ 2,955,000
2021	2,550,000	520,000	-	3,070,000
2022	2,635,000	540,000	15,665,000	18,840,000
2023	2,755,000	565,000	13,215,000	16,535,000
2024	2,895,000	580,000	220,000	3,695,000
Thereafter	6,195,000	18,415,000	66,585,000	91,195,000
	$ 19,485,000	$ 21,120,000	$ 95,685,000	$ 136,290,000

NOTE 9 – UNEARNED ENTRANCE FEES

	2019	2018
Balance, beginning of year	$ 62,642,390	$ 59,641,563
New fees received	10,422,820	10,454,645
Entrance fees refunded	-	(74,130)
Amortization of fees	(7,627,555)	(7,379,688)
Balance, end of year	$ 65,437,655	$ 62,642,390

Entrance fees still within a potentially refundable declining period at December 31, 2019 and 2018, were $30,877,048 and $29,212,695, respectively. Based on the past five years actual refunds have averaged $1,025,127 per year for the potentially refundable declining period.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with temporary donor restrictions consist of the following:

	2019	2018
Benevolence fund	$ 1,430,134	$ 1,340,701
Scholarship fund	64,218	72,503
Termites	10,357	8,897
Specific use fund	108,002	177,729
Worship committee	13,622	18,831
Other	13,334	8,975
	$ 1,639,667	$ 1,627,636

NOTE 11 – THIRD-PARTY PAYOR REVENUE

NCROC has agreements to provide care to recipients of the Medicare program. NCROC charges these residents based on normal posted rates, however, reimbursement by the Medicare program is restricted by various reimbursement guidelines. Net revenues include contractual adjustments, which represent the difference between customary charges and actual payments. Net health service revenues from Medicare for the years ended December 31, 2019 and 2018, were $1,685,483 and $2,002,507, respectively.

The above Medicare revenues for the years ended December 2019 and 2018, are subject to audit based upon annual cost reports. Upon audit by Medicare intermediaries, there is a possibility of adjustment to revenues.

NOTE 12 – INVESTMENT INCOME

Investment income consists of the following:

	2019	2018
Interest and dividends	$ 2,665,695	$ 1,472,658
Net realized gains	1,904,060	360,744
External investment expenses	(258,739)	(145,099)
	$ 4,311,016	$ 1,688,303

NOTE 13 – LEASES

NCROC leases out certain space within the facility to a bank. The current monthly payment is $1,800 per month and will increase three percent per year over the term of the lease, which expires in 2022. The future minimum lease payments due to NCROC are as follows:

Year Ending December 31,		
2020	$	22,973
2021		23,662
2022		23,662
	$	70,297

In addition, NCROC rents out other space and equipment to a beauty salon and exam room on a month-to-month basis. Payments are set at 6% of gross receipts. Total rental income under both leases and for the years ended December 31, 2019 and 2018, was $33,527 and $32,973, respectively, and was included in other income in the statements of activities and changes in net assets.

NOTE 14 – DEFINED CONTRIBUTION PLANS

NCROC sponsors a defined contribution retirement plan available to substantially all employees who are at least 18 years old and have been continuously employed by NCROC for at least six months. Participants can make pre-tax contributions up to certain limits while NCROC provides a matching contribution determined annually by the Board. Total administrative costs incurred by NCROC related to this plan during the years ended December 31, 2019 and 2018, were $408 and $1,632, respectively.

As of December 2013, NCROC also sponsors a second defined contribution retirement plan available to employees who meet additional eligibility requirements. Participants can make pre-tax contributions up to certain limits while NCROC may make discretionary contributions, as determined by the Board. Total administrative costs incurred by NCROC related to this plan during the years ended December 31, 2019 and 2018, were $838 and $1,422, respectively.

Total contribution expense related to both plans for the years ended December 31, 2019 and 2018, was $453,613 and $441,857, respectively.

NOTE 15 – STATUTORY RESERVES

NCROC is certified as a Continuing Care Retirement Community (“CCRC”) by the State of California Department of Social Services. California Code Chapter 10, Article 6, Section 1792 requires CCRCs to establish “liquid reserves” (cash, marketable securities, etc.) equal to, or greater than the annual principal and interest payments on long-term obligations plus 75 days of the CCRC’s adjusted operating expenses. NCROC’s liquid reserves at December 31, 2019 and 2018, were sufficient to meet this requirement.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

NCROC is party to various claims and legal actions in the normal course of business. In the opinion of management, NCROC has substantial meritorious defenses to pending or threatened litigation and, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the consolidated financial position of NCROC.

On March 23, 2010, the Patient Protection and Affordable Care Act ("PPACA") was signed into law. On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 was signed, amending the PPACA (collectively the "Affordable Care Act"). The Affordable Care Act addresses a broad range of topics affecting the health care industry, including a significant expansion of health care coverage. The expansion is accomplished primarily through incentives to individuals to obtain and employers to provide health care coverage and an expansion in Medicaid eligibility. The Affordable Care Act also includes incentives for medical research and the use of electronic health records; changes designed to curb fraud, waste and abuse; and creates new agencies and demonstration projects to promote the innovation and efficiency in the health care delivery system. Some provisions of the health care reform legislation were effective immediately; others phased in over time. Further legislative policies are required for several provisions that will be effective in future years. The impact of this legislation will likely affect NCROC. The effect of the changes that will be required in future years are not determinable at this time.

NCROC is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations relate to, among other things, matters such as licensure, accreditation, and government health care program participation requirements, regulations regarding reimbursement for patient services and regulations regarding Medicare billing, fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as significant repayments for patient services previously billed. NCROC has implemented a voluntary corporate compliance program which includes guidance for all NCROC employees' adherence to applicable laws and regulations. Management is not aware of any actions or potential actions at December 31, 2019 and 2018.

NOTE 17 – CONCENTRATIONS OF CREDIT RISK

NCROC provides care to residents under the Medicare program. The Centers for Medicare & Medicaid Services is the agency responsible for payment for services to Medicare residents.

Accounts receivable as of December 31 consisted of the following:

	2019	2018
Medicare	$ 181,595	$ 297,214
Private pay	172,782	166,164
Secondary insurance	34,464	56,280
Other	2,062	5,585
	$ 390,903	$ 525,243

Accounts receivable, gross by payor, as of December 31, consisted of the following:

	2019	2018
Medicare	46%	56%
Private pay	44%	32%
Secondary insurance	9%	11%
Other	1%	1%

In addition, NCROC grants credit to private residents, on an unsecured basis, most of whom are local residents.

NOTE 18 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019, comprise the following:

Cash and cash equivalents	$ 2,937,957
Accounts receivable	390,903
Entrance fees receivable	782,500
Investments	44,776,128
	$ 48,887,488

As part of the NCROC's liquidity management plan, it invests cash in excess of its daily requirements in short-term investment which can be sold and used for operations if necessary.

NOTE 19 – FUNCTIONAL EXPENSES

	Year Ended December 31, 2019				
	Residential Services	Health Care Services	Dining Services	General and Administrative	Total
Salaries and benefits	$ 6,410,862	$ 6,726,540	$ 3,491,123	$ 2,962,877	$ 19,591,402
Supplies	334,234	311,784	2,537,446	53,428	3,236,892
Other purchased services	481,474	188,378	87,565	448,758	1,206,175
Marketing and advertising	-	407,410	-	840,099	1,247,509
Repairs and maintenance	687,344	-	-	2,408	689,752
Utilities	1,879,867	419,715	26,347	25,985	2,351,914
Bad debt expense	29,972	-	-	-	29,972
Depreciation and amortization	3,672,482	819,950	51,472	50,764	4,594,668
Interest	962,565	257,533	16,167	15,943	1,252,208
Other	588,096	16,726	82,887	1,867,993	2,555,702
	$ 15,046,896	$ 9,148,036	$ 6,293,007	$ 6,268,255	$ 36,756,194

	Year Ended December 31, 2018				
	Residential Services	Health Care Services	Dining Services	General and Administrative	Total
Salaries and benefits	$ 6,237,303	$ 6,177,015	$ 3,190,634	$ 2,788,014	$ 18,392,966
Supplies	358,224	284,375	2,331,167	93,028	3,066,794
Other purchased services	582,900	526,003	92,907	562,923	1,764,733
Marketing and advertising	-	639,914	-	814,006	1,453,920
Repairs and maintenance	828,914	-	-	5,356	834,270
Utilities	1,769,520	395,078	24,801	24,460	2,213,859
Bad debt expense	8,930	-	-	-	8,930
Depreciation and amortization	3,436,788	767,327	48,169	47,506	4,299,790
Interest	1,322,298	295,228	18,533	18,277	1,654,336
Other	345,036	42,389	90,504	1,539,064	2,016,993
	$ 14,889,913	$ 9,127,329	$ 5,796,715	$ 5,892,634	$ 35,706,591

The financial statements report certain expense categories that are attributable to more than one residential, health care or support services function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, amortization, interest and other occupancy costs, are allocated to a function based on a square footage or units of service basis.

NOTE 20 – SUBSEQUENT EVENTS

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

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus outbreak a public health emergency. Our results of operations could be adversely affected to the extent that coronavirus or any other epidemic harms the global economy. Although the Company does not expect the impact on its operations and financial results to be significant, the duration and intensity of the impact of the coronavirus and resulting disruption to the Company's operations is uncertain.

The Company held investments at December 31, 2019, that have experienced a significant decline in market value in 2020 as a result of market reaction to the coronavirus outbreak. The Company will continue to monitor the situation closely, but the market volatility and the continuing situation surrounding the coronavirus is uncertain. At this time management believes the decline in fair value for these securities is temporary.

NCROC evaluated all events or transactions that occurred after December 31, 2019, through March 19, 2020, the date the financial statements are issued.

PART 5

<u>LIQUID RESERVES</u>

Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules

PARADISE VALLEY
ESTATES

For the Year Ended December 31, 2019

MOSSADAMS

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MOSSADAMS

Report of Independent Auditors

To the Board of Directors
Northern California Retired Officers Community d.b.a. Paradise Valley Estates

Report on the Financial Statements

We have audited the accompanying financial statements of Northern California Retired Officers Community d.b.a. Paradise Valley Estates (the "Company"), which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5 for the year ended December 31, 2019.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserve of the Company as of and for the year ended December 31, 2019, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by the Company on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying supplementary schedules of Supplementary Form 5-4, Reconciliation to Audit Report; and Supplementary Form 5-5, Reconciliation to Audit Report, are presented for the purpose 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 audit of 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 information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of the Company and the California Department of Social Services, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

San Francisco, California
March 26, 2020

Continuing Care Reserve Schedules

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	04/04/13	$2,340,000	$908,000		$3,248,000
2	11/30/16	$485,000	$867,257		$1,352,257
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:	$2,825,000	$1,775,257	$0	$4,600,257

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

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

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	02/21/19	$1,248,142	$1,248,142	2	$2,496,284
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:	$1,248,142	$1,248,142		$2,496,284

(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 Retired Officers Community

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$ 4,600,257
2	Total from Form 5-2 bottom of Column (e)	$ 2,496,284
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	$ -
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$ 7,096,541

PROVIDER: Northern California Retired Officers Community

FORM 5-4

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$ 36,756,194
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$ 1,775,257	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$ -	
	c.	Depreciation	$ 4,289,203	
	d.	Amortization	$ 305,465	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$ 998,422	
	f.	Extraordinary expenses approved by the Department	$ -	
3		Total deductions		$ 7,368,347
4		Net operating expenses		$ 29,387,847
5		Divide line 4 by 365 and enter the result.		$ 80,515
6		**Multiply line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$ 6,038,625

PROVIDER: Northern California Retired Officers Community

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Northern California Retired Officers Community
Fiscal Year Ended: 12/31/2019

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2019 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	$ 7,096,541
[2]	Operating Expense Reserve Amount	$ 6,038,625
[3]	**Total Liquid Reserve Amount:**	$ 13,135,166

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

	Qualifying Asset Description		Amount (market value at end of quarter) Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents		$ -		$ 2,937,957
[5]	Investment Securities		$ -		$ 44,776,128
[6]	Equity Securities		$ -		$ -
[7]	Unused/Available Lines of Credit		$ -		$ -
[8]	Unused/Available Letters of Credit		$ -		$ -
[9]	Debt Service Reserve		$ 14,538,247		(not applicable)
[10]	Other: (describe qualifying asset)		$ -		$ -
	Listed for Reserve Obligation:	[11]	$ 14,538,247	[12]	$ 47,714,085
	Reserve Obligation Amount:	[13]	$ 7,096,541	[14]	$ 6,038,625
	Surplus/(Deficiency):	[15]	$ 7,441,706	[16]	$ 41,675,460

Signature:
K L Br
(Authorized Representative)

Date: 3/26/20

Chief Executive Officer
(Title)

Supplementary Schedules

Form 5-4 Reconciliation 2e

HEALTH SERVICES	$ 7,893,913
RESIDENT SERVICES	18,915,306
LESS: CCRC AND OTHER REVENUE	(5,179,548)
LESS: MEDICARE REVENUE	(1,685,483)
LESS: HMO REVENUE	(30,460)
LESS: IL REVENUE	(18,915,306)
	$ 998,422

Form 5-4 Reconciliation 2c and 2d

DEPRECIATION AND AMORTIZATION EXPENSE	$ 4,594,668
LESS: AMORTIZATION	(305,465)
	$ 4,289,203

See note to supplementary schedules.

Form 5-5 Reconciliation

DEBT SERVICE RESERVE	
2013 BOND FUNDS	
Interest fund	$ 425,638
Principal fund	2,456,830
Reserve fund	3,285,191
	6,167,659
2016 BOND FUNDS	
Interest fund	430,964
Principal fund	502,363
	933,327
2019 BOND FUNDS	
Revenue fund	58,700
Interest fund	1,970,750
CAP interest fund	2,315,089
Reserve fund	3,092,722
	7,437,261
TOTAL DEBT SERVICE RESERVE	$ 14,538,247

NOTE 1 – BASIS OF ACCOUNTING

The accompanying supplementary schedules have been prepared in accordance with the provisions of Health and Safety Code Section 1792 administered by the State of California Department of Social Services and are not intended to be a complete presentation of Northern California Retired Officers Community d.b.a. Paradise Valley's assets, liabilities, revenues, and expenses.

PART 6

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE STATEMENT

Continuing Care Retirement Community Disclosure Statement

Date Prepared: 4/3/2020

FACILITY NAME: PARADISE VALLEY ESTATES

ADDRESS: 2600 ESTATES DRIVE, FAIRFIELD, CA ZIP CODE: 94533 PHONE: 707-432-1100

PROVIDER NAME: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY (NCROC) FACILITY OPERATOR: NCROC

RELATED FACILITIES: NONE RELIGIOUS AFFILIATION: NONE

YEAR OPENED: 1997 # OF ACRES: 68 ❑ SINGLE STORY ❑ MULTI-STORY ❑ OTHER: BOTH MILES TO SHOPPING CTR: 4 MILES TO HOSPITAL: 5.6

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		**HEALTH CARE**	
APARTMENTS – STUDIO:	0	ASSISTED LIVING:	60
APARTMENTS – 1 BDRM:	18	SKILLED NURSING:	60
APARTMENTS – 2 BDRM:	104	SPECIAL CARE:	20
COTTAGES/HOUSES:	199	DESCRIPTION: >	MEMORY CARE ASSISTED LIVING
RLU OCCUPANCY (%) AT YEAR END:	94%	OVERALL CCRC OCCUPANCY (%) AT YEAR END:	94.6%

* *

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

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

REFUND PROVISIONS: *(Check all that apply)* ❑ Refundable ❑ Repayable ❑ 90% ❑ 75% ☑ 50% ☑ OTHER: 95%

RANGE OF ENTRANCE FEES: $ 201,600 - $ 947,625 **LONG-TERM CARE INSURANCE REQUIRED?** ❑ YES ☑ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: YES

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: ______ OTHER: ______

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD:
(briefly describe provider's compliance and residents' roles) > RESIDENT SITS ON THE BOD, RESIDENT COUNCIL
> PRESIDENT AND ONE GUEST ARE INVITED TO ATTEND EACH BOARD MEETING

* *

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 /DAY)	☑	❑
BOWLING GREEN	❑	❑	SPECIAL DIETS AVAILABLE	☑	❑
CARD ROOMS	☑	❑			
CHAPEL	☑	❑	24-HOUR EMERGENCY RESPONSE	☑	❑
COFFEE SHOP	❑	☑	ACTIVITIES PROGRAM	☑	❑
CRAFT ROOMS	☑	❑	ALL UTILITIES EXCEPT PHONE	☑	❑
EXERCISE ROOM	☑	❑	APARTMENT MAINTENANCE	☑	❑
GOLF COURSE ACCESS	❑	☑	CABLE TV	☑	❑
LIBRARY	☑	❑	LINENS FURNISHED	❑	❑
PUTTING GREEN	☑	❑	LINENS LAUNDERED	❑	☑
SHUFFLEBOARD	❑	❑	MEDICATION MANAGEMENT	☑	❑
SPA	☑	❑	NURSING/WELLNESS CLINIC	☑	❑
SWIMMING POOL-INDOOR	☑	❑	PERSONAL HOME CARE	❑	☑
SWIMMING POOL-OUTDOOR	❑	❑	TRANSPORTATION-PERSONAL	❑	☑
TENNIS COURT	☑	❑	TRANSPORTATION-PREARRANGED	☑	❑
WORKSHOP	☑	❑	OTHER ______	❑	❑
OTHER BOCCE BALL COURT	☑	❑			

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: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
UNIVERSITY RETIREMENT COMMUNITY	DAVIS, CA	530-747-7000
SPRING LAKE VILLAGE	SANTA ROSA, CA	707-538-8400
ESKATON VILLAGE	CARMICHAEL, CA	916-974-2000
ALTAVITA	RIVERSIDE, CA	951-697-2100

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

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)
VACAVILLE CONVALESCENT & REHAB	VACAVILLE, CA	707-449-8000

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)

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

PROVIDER NAME: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY

	2016	2017	2018	2019
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	26,321,739	26,857,958	27,142,390	37,487,775
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	(26,134,751)	(28,689,893)	(29,752,465)	(30,909,318)
NET INCOME FROM OPERATIONS	186,988	(1,831,935)	(2,610,075)	6,578,457
LESS INTEREST EXPENSE	(1,292,920	(1,753,435)	(1,654,336)	(1,252,208)
PLUS CONTRIBUTIONS	149,203	168,846	186,198	321,605
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	(261,398)	4,273,100	(3,785,207)	(346,359)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(1,218,127)	856,576	(7,863,420)	5,301,495
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	12,275,066	8,979,104	11,476,509	12,430,739

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CAL MORTGAGE	19,485,000	3%	04/04/2013	10/01/2026	13 YEARS
CAL MORTGAGE	21,120,000	4%	11/30/2016	01/01/2047	30 YEARS
CAL MORTGAGE	95,685,000	2% - 5%	2/2019	01/2049	30 YEARS

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2017 CCAC Medians 50th Percentile *(optional)*	2017	2018	2019
DEBT TO ASSET RATIO	35.17%	30%	29%	51%
OPERATING RATIO	98.63%	113%	116%	86%
DEBT SERVICE COVERAGE RATIO	2.38	2.45	1.08	3.98
DAYS CASH ON HAND RATIO	351	524	431	542

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2016	%	2017	%	2018	%	2019
STUDIO							
ONE BEDROOM	2,688	4.0	2,795	3.4	2,890	4.5	3,020
TWO BEDROOM	4,064	4.0	4,227	3.4	4,370	4.5	4,567
COTTAGE/HOUSE	4,127	4.0	4,292	3.4	4,438	4.5	4,638
ASSISTED LIVING	4,005	4.0	4,170	3.4	4,440	4.5	4,640
SKILLED NURSING	4,005	4.0	4,170	3.4	4,440	4.5	4,640
SPECIAL CARE	4,005	4.0	4,170	3.4	4,440	4.5	4,640

* *

COMMENTS FROM PROVIDER: > SECOND PERSON FEES FOR CCRC: 2015 $1,163 (+3.25%); 2016 $1,197 (+3.0%); 2017 $1,246 (+4.0%)

> 2018 $1,288 (+3.4%) , 2019 $1,346 (+4.5%)

>

PROVIDER NAME: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY

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

REPORT ON CCRC MONTHLY SERVICE FEES

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	2,923 - 5,728	4,344 - 4,668	4,344 - 4,668
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.5%	4.5%	4.5%

☐ Check here if monthly care 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: 1/1/2019
(If more than one (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. **Date of Notice: 11/29/19** **Method of Notice: Letter**

☒ At least 30 days prior to the increase in fees, the designated representative of the provider convened a meeting that all residents were invited to attend. **Date of Meeting: 11/14/19**

☒ 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. **Date of Notice: 10/21/19**

☒ 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. **Date of Posting: 10/21/19** **Location of Posting: newsletter, intranet, town hall**

[5] On an attached page, provide a concise explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code. See **PART 7 REPORT ON CCRC MONTHLY CARE FEE** in the **Annual Report Instruction** booklet for further instructions.

PROVIDER: Northern California Retired Officers Community
COMMUNITY: Paradise Valley Estates

FORM 7-1 Explanations for Adjustments in Monthly Fees

Summary of Documents Used in Determining Rate Adjustment

The following documents were used in developing the monthly fee adjustments for 2019

NCROC Operating Budget for 2019	Internally developed document detailing all revenues and expenses for projected fiscal year 2019. Developed by Paradise Valley Estates management and approved by the Board of Directors.
Report on Actuarial Study and Cash Flow Projection for Paradise Valley Estates	Report completed in conjunction with the actuarial firm, A.V. Powell & Associates. The report contains observations and recommendations regarding pricing policies in order to meet reserve requirements , thus helping ensure the long-term success of Paradise Valley Estates.
Statements of Operations	The operating results of Paradise Valley Estates during fiscal year 2018, based on actual performance.

Details of Rate Adjustment

Unit Type	Configuration	Square Ftg	Monthly Fee @ 1/1/18		Monthly Fee @ 1/1/19	
Apt - Traditional	1Bed/1Bath	803	2,797	2,983	2,923	3,117
Apt - Custom	2Bed/2Bath	1140	3,450	3,682	3,605	3,848
Apt - Deluxe	2Bed/2Bath	1291	3,743	3,993	3,911	4,173
Apt - Luxury	2Bed/2Bath/Den	1534	4,206	4,489	4,395	4,691
Apt - Royale	2Bed/2Bath/Den	1584	4,304	4,592	4,498	4,799
Apt - Grande	2Bed/2Bath/Den	1846	4,811	5,134	5,027	5,365
Apt - Grande Plus	2Bed/2Bath/Den	1870	4,858	5,181	5,077	5,414
Home-Quadraplex	2Bed/2Bath	1340	3,838	4,093	4,011	4,277
Home - Duplex One	2Bed/2Bath/Den	1451	4,048	4,321	4,230	4,515
Home - Duplex Two	2Bed/2Bath/Den	1505	4,154	4,430	4,341	4,629
Home - Manor	2Bed/2Bath/Den	2015	5,138	5,481	5,369	5,728
Second Person	Variable	Variable	1,245	1,331	1,301	1,391

Paradise Valley Estates

FORM 7-1 Explanations for Adjustments in Monthly Fees

Basis of monthly Care Fee Adjustment

Methodology for Rate Adjustment

Paradise Valley Estates (PVE), a continuing care retirement community located in Fairfield, California, has been in operation since 1997. The 2019 budget was based on a mix of historical operational results, as well as projected expenses associated with budgeted occupancy. Labor is a large part of the operating budget and as such the mandanted minimum wage increase had a impact the projected costs. Other factors taken into account are historial truition rates and assumptions relating to new move in numbers and timing for those move ins.

PVE must maintain certain financial rations, according to covenants mandated by financing arrangements. These ratios include days cash on hand, current, and debt service coverage ratios. These financial obligations also dictate the continuance of financial health for PVE and as such are an important part of the revenue and pricing target decisions.

Summary/Overview Rate Adjustment

After review and preparation of analysis, PVE did increase monthly service fees for Independent Living units. PVE also increased daily rates for skilled nursing and assisted living at Laurel Creek Health Center and assisted living at the Quail Creek and Deer Creek facilities.

Paradise Valley Estates

H&SC SECTION 1790(a)(2) and (3) DISCLOSURE

Description of all Reserves Maintained	December 31, 2019	December 31, 2018
2013 Bond funds:		
Interest fund	425,638	484,910
Principal fund	2,456,830	2,348,621
Reserve fund	3,285,191	3,196,591
	6,167,659	6,030,122
2016 Bond funds:		
Interest fund	430,964	438,141
Revenue fund	-	457,615
Project fund	-	-
Principal fund	502,363	486,775
	933,327	1,382,531
2019 Bond funds:		
Capitalized Interest fund	2,315,089	-
Interest fund	1,970,750	-
Revenue fund	58,700	-
Project fund	64,581,859	-
Reserve fund	3,092,722	-
	72,019,120	-
Other Limited Use fund		
Benevolence fund	1,679,549	1,409,829
Entrance fee refund escrow	5,386,227	4,420,794
Charitable annuities	220,758	224,058
Other	-	-
	7,286,534	6,054,681
	$ 86,406,640	$ 13,467,334

Funds Accumulated for Specific Projects or Purposes

The benevolence funds will be used to provide resident assistance.

The charitable gift annuity fund is set aside for payment of gift annuities.

Per Capita Cost of Operations

Total Operating Expenses (Form 5-4, Line 1)	$ 36,756,194
Mean number of all residents (Form 1-1, Line 10)	560.5
	$ 65,578

PART 8

KEY INDICATORS REPORT

KEY INDICATORS REPORT

NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY dba PARADISE VALLEY ESTATES

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

Chief Executive Officer Signature

	Actual						Projected	Forecast				
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Preferred Trend Indicator
OPERATIONAL STATISTICS												
1. Average Annual Occupancy by Site (%)	86%	87%	90%	84%	90%	93%	93%	87%	91%	93%	93%	N/A
MARGIN (PROFITABILITY) INDICATORS												
2. Net Operating Margin (%)	1%	-10%	-12%	-18%	-17%	-12%	-12%	-14%	-9%	-8%	-9%	↑
3. Net Operating Margin - Adjusted (%)	35%	24%	14%	14%	19%	22%	19%	17%	21%	23%	23%	↓
LIQUIDITY INDICATORS												
4. Unrestricted Cash and Investments ($000)	38,954	40,827	43,622	44,843	37,694	47,714	50,700	47,322	45,186	48,950	49,575	↑
5. Days Cash on Hand (Unrestricted)	575	548	583	538	438	536	538	433	389	410	405	↑
CAPITAL STRUCTURE INDICATORS												
6. Deferred Revenue from Entrance Fees ($000)	59,798	63,103	63,183	65,508	69,165	73,496	76,695	98,559	109,990	112,097	112,032	N/A
7. Net Annual E/F proceeds ($000)	10,964	11,090	7,186	10,423	10,340	10,704	10,632	11,743	15,033	16,755	17,426	N/A
8. Unrestricted Net Assets ($000)	20,565	19,870	22,467	25,583	20,613	28,626	29,774	26,240	25,184	26,257	28,277	N/A
9. Annual Capital Asset Expenditure ($000)	3,081,647	4,027	12,850	9,901	9,405	29,269	61,057	8,559	5,247	5,404	5,567	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	0.92	-0.44	0.06	0.73	-1.40	1.29	-0.26	-0.48	-0.20	-0.17	-0.24	↑
11. Annual Debt Service Coverage (x)	3.84	1.97	2.24	3.07	1.10	3.91	2.21	1.42	1.41	1.73	1.75	↑
12. Annual Debt Service/Revenue (%)	12%	13%	10%	10%	15%	12%	12%	15%	17%	15%	14%	↓
13. Average Annual Effective Interest Rate (%)	3%	4%	3%	4%	4%	3%	1%	3%	3%	4%	4%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	94%	110%	78%	99%	88%	35%	38%	41%	46%	52%	54%	↑
15. Average Age of Facility (years)	14	14	13	13	14	14	16	11	11	11	12	↓

PART 9

REFUND RESERVE REPORT

FOR

REFUNDABLE CONTRACTS

FORM 9-1
CALCULATION OF REFUND RESERVE AMOUNT

[3] Entrance Fee	[4] Refund %	[5] Refund Amount (promised after 6 yrs)	[6] Age	[7] Life Exp.	6% [9] Present Value Multiplier	[10] Present Value of Refund
$365,600	50%	182,800	69	16.182	0.389	71,199
$430,600	50%	215,300	73	13.761	0.449	96,563
$364,234	50%	182,117	83	7.952	0.629	114,582
$418,900	50%	209,450	84	7.438	0.648	135,786
$365,600	50%	182,800	84	7.438	0.648	118,509
$722,100	95%	685,995	85	6.956	0.667	457,397
$587,200	95%	557,840	87	6.054	0.703	392,020
$407,513	50%	203,756	88	5.613	0.721	146,916
$592,900	95%	563,255	89	5.200	0.739	416,020
$383,040	50%	191,520	93	3.862	0.798	152,927
$718,830	95%	682,889	93	3.862	0.798	545,279
$386,300	50%	193,150	98	2.741	0.852	164,638
$857,000	95%	814,150	83	7.952	0.629	512,238
$267,128	95%	253,772	102	2.152	0.882	223,864
$728,500	95%	692,075	88	5.613	0.721	499,012
$955,800	95%	908,010	71	12.676	0.478	433,824
$460,500	50%	230,250	84	5.854	0.711	163,704
$334,400	50%	167,200	86	5.124	0.742	124,042
$644,200	95%	611,990	89	4.236	0.781	478,133
$586,028	50%	293,014	93	3.129	0.833	244,178
$10,576,373		$8,021,332				
		TOTAL AMOUNT REQUIRED FOR REFUND RESERVE :				$5,490,833

PROVIDER: NORTHERN CALIFORNIA RETIRED OFFICERS COMMUNITY
COMMUNITY: PARADISE VALLEY ESTATES

Investment Entrance Fee Account Balance	$5,491,238
Overfunded/(Underfunded)	405