ANNUAL REPORT CHECKLIST

FOR
FISCAL YEAR ENDED: September 30, 2015

PROVIDER: **University Retirement Community at Davis**

FACILITY(IES): **University Retirement Community at Davis**

CONTACT PERSON: Katrina Saunders, Joanna Sexton

TELEPHONE NO.: (541) 857-7641 **EMAIL:** ksaunders@retirement.org

****

Your complete annual report must consist of 3 copies of the following:

[a] This cover sheet.

[a] Annual Provider Fee in the amount of: $16,264.36

[a] Certification by the provider's chief executive officer that:

- [a] The reports are correct to the best of his/her knowledge.
- [a] Each continuing care contract form in use or offered to new residents has been approved by the Department.
- [a] The Provider is maintaining the required liquid reserve and, when applicable, the required refund reserve.

[a] Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.

[a] Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.

[a] Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.

[a] Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Services Fees" for each community.

[ ] Provider's Refund Reserve Calculation(s) - Form 9-1 abd/or 9-2, if applicable.
community.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	327
[2]	Number at end of fiscal year	318
[3]	Total Lines 1 and 2	645
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x 0.50
[5]	Mean number of continuing care residents	322.5
	All Residents	
[6]	Number at beginning of fiscal year	361
[7]	Number at end of fiscal year	339
[8]	Total Lines 5 and 6	700
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x 0.50
[10]	Mean number of all residents	350
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of all residents (Line 10) and enter the result (round to two decimal places).	0.92

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		20,942,281
[a]	Depreciation	2,870,485	
[b]	Debt Service (Interest Only)	420,557	
[2]	Subtotal (add Line 1a and 1b)		3,291,042
[3]	Subtract Line 2 from Line 1 and enter result.		17,651,239
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		0.92
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)		16,264,356
			x 0.001
[6]	**Total Amount Due** (multiply Line 5 by .001)		16,264.36

Provider: **University Retirement Community at Davis**
Community: **University Retirement Community at Davis**

UNIVERSITY
Retirement Community
Be Part of It!

January 29, 2016

Allison Nakatomi
Department of Social Services
744 "P" Street, M. S. 10-90
Sacramento, CA 95814

Re: Annual Report of University Retirement Community at Davis
Certification by Chief Executive Officer

The annual report and any amendments thereto are correct to the best of my knowledge.

To the best of my knowledge every continuing care contract form in use or offered to new residents has been approved by the Department of Social Services.

As of January 29, 2016, University Retirement Community is maintaining the required liquid reserve and refund reserve.

Sincerely,

Brian McLemore, CEO
Pacific Retirement Services, Inc.
University Retirement Community at Davis, Inc.

Bond No. 2193608

State of California—Health and Human Services Agency

California Department of Public Health
Licensing and Certification Program

SURETY BOND VERIFICATION

Reply to: California Department of Public Health
Licensing and Certification Program
Centralized Applications Unit
P.O. Box 997377, MS 3402
Sacramento, CA 95899-7377

California Health and Safety Code, Section 1318, Chapter 2, Division 2, requires that licensed health facilities that handle money in excess of $25 per patient or over $500 for all patients in any month, be bonded for not less than $1,000. This is to serve as a guarantee for the faithful and honest handling of the money of such patients.

INSTRUCTIONS: This form is to be completed by the bonding agency. In addition, attach an ***original copy of the bond.*** In the event of cancellation of the bond, please send notice to the above licensing office.

BE IT KNOWN THAT:

Facility name University Retirement Community at Davis

Facility address 1515 Shasta Drive City Davis County Yolo ZIP code 95616

State of California, as *Principal,* and

Bonding agency North American Specialty Insurance Company

Agency address 650 Elm Street City Manchester County Manchester ZIP code 03101

State of New Hampshire, as *Surety,* are held and firmly bound unto the STATE OF CALIFORNIA in the full and just sum of

Ten Thousand DOLLARS ($ 10,000.00), for the payment of which the said Principal and said Surety bind themselves, their respective heirs, successors, and assigns, jointly and severally, firmly by these presents.

The CONDITION of this obligation is such that

WHEREAS, the Principal has applied for or has been issued a license by the California Department of Public Health to maintain or conduct a health facility pursuant to Chapter 2, Division 2, of the Health and Safety Code of the State of California; and

WHEREAS, by the terms of Section 1318 of said code, the Principal is required to file with the California Department of Public Health, Licensing and Certification, the bond running to the State of California.

NOW, THEREFORE, if the above bounden Principal shall faithfully and honestly handle money of patients in the care of said Principal, then this obligation shall be null and void; otherwise to remain in full force and effect.

Every patient injured as a result of any improper or unlawful handling of the money of a patient of a health facility may bring an action in a proper court on the bond required to be posted by the licensee pursuant to this section for the amount of damage he/she suffered as a result thereof to the extent covered by the bond.

This bond may be canceled by the Surety in accordance with the provisions of Section 996.310 et seq. of the Code of Civil Procedure. This bond is effective 1/13/2015 (Date) and continuous.

IN WITNESS WHEREOF, we have subscribed our names and impressed our seal this 13th (Day), January (Month), 2015 (Year).

North American Specialty Insurance Company
Bonding agent name (please print)

Peggy A Firth
Bonding agent signature Peggy A. Firth, Attorney-in-Fact

BONDING AGENCY SEAL

SEAL 1973

HS 402 (2/08)

NAS SURETY GROUP

NORTH AMERICAN SPECIALTY INSURANCE COMPANY
WASHINGTON INTERNATIONAL INSURANCE COMPANY

GENERAL POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, THAT North American Specialty Insurance Company, a corporation duly organized and existing under laws of the State of New Hampshire, and having its principal office in the City of Manchester, New Hampshire, and Washington International Insurance Company, a corporation organized and existing under the laws of the State of New Hampshire and having its principal office in the City of Schaumburg, Illinois, each does hereby make, constitute and appoint:

ERIC A. ZIMMERMAN, ANNE E. STRIEBY, CHRISTOPHER KINYON, JENNIFER L. SNYDER, KAREN SWANSON, JAMIE DIEMER, JAMES B. BINDER, PETER J. COMFORT, PEGGY A. FIRTH, KYLE HOWAT, JULIE R. TRUITT, CARLEY ESPIRITU and BRENT HEILESEN

JOINTLY OR SEVERALLY

Its true and lawful Attorney(s)-in-Fact, to make, execute, seal and deliver, for and on its behalf and as its act and deed, bonds or other writings obligatory in the nature of a bond on behalf of each of said Companies, as surety, on contracts of suretyship as are or may be required or permitted by law, regulation, contract or otherwise, provided that no bond or undertaking or contract or suretyship executed under this authority shall exceed the amount of:

FIFTY MILLION ($50,000,000.00) DOLLARS

This Power of Attorney is granted and is signed by facsimile under and by the authority of the following Resolutions adopted by the Boards of Directors of both North American Specialty Insurance Company and Washington International Insurance Company at meetings duly called and held on the 9th of May, 2012:

"RESOLVED, that any two of the Presidents, any Managing Director, any Senior Vice President, any Vice President, any Assistant Vice President, the Secretary or any Assistant Secretary be, and each or any of them hereby is authorized to execute a Power of Attorney qualifying the attorney named in the given Power of Attorney to execute on behalf of the Company bonds, undertakings and all contracts of surety, and that each or any of them hereby is authorized to attest to the execution of any such Power of Attorney and to attach therein the seal of the Company; and it is

FURTHER RESOLVED, that the signature of such officers and the seal of the Company may be affixed to any such Power of Attorney or to any certificate relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or facsimile seal shall be binding upon the Company when so affixed and in the future with regard to any bond, undertaking or contract of surety to which it is attached."

NORTH AMERICAN SPECIALTY INSURANCE COMPANY CORPORATE SEAL 1973 NEW HAMPSHIRE

By [signature]
Steven P. Anderson, Senior Vice President of Washington International Insurance Company & Senior Vice President of North American Specialty Insurance Company

By [signature]
David M. Layman, Vice President of Washington International Insurance Company & Vice President of North American Specialty Insurance Company

WASHINGTON INTERNATIONAL INSURANCE COMPANY CORPORATE SEAL NEW HAMPSHIRE

IN WITNESS WHEREOF, North American Specialty Insurance Company and Washington International Insurance Company have caused their official seals to be hereunto affixed, and these presents to be signed by their authorized officers this 19th day of November, 2013.

North American Specialty Insurance Company
Washington International Insurance Company

State of Illinois
County of Cook ss:

On this 19th day of November, 2013, before me, a Notary Public personally appeared Steven P. Anderson, Senior Vice President of Washington International Insurance Company and Senior Vice President of North American Specialty Insurance Company and David M. Layman, Vice President of Washington International Insurance Company and Vice President of North American Specialty Insurance Company, personally known to me, who being by me duly sworn, acknowledged that they signed the above Power of Attorney as officers of and acknowledged said instrument to be the voluntary act and deed of their respective companies.

"OFFICIAL SEAL"
DONNA D. SKLENS
Notary Public, State of Illinois
My Commission Expires 10/06/2015

Donna D. Sklens
Donna D. Sklens, Notary Public

I, Jeffrey Goldberg, the duly elected Assistant Secretary of North American Specialty Insurance Company and Washington International Insurance Company, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney given by said North American Specialty Insurance Company and Washington International Insurance Company, which is still in full force and effect.

IN WITNESS WHEREOF, I have set my hand and affixed the seals of the Companies this 13th day of January, 2015.

[signature]
Jeffrey Goldberg, Vice President & Assistant Secretary of Washington International Insurance Company & North American Specialty Insurance Company

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

University Retirement Community at Davis, Inc. and Affiliate

September 30, 2015 and 2014

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

CONTENTS

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
University Retirement Community at Davis, Inc. and Affiliate

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of University Retirement Community at Davis, Inc. and Affiliate (the "Corporation"), which comprise the consolidated statements of financial position as of September 30, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of University Retirement Community at Davis, Inc. and Affiliate as of September 30, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of consolidating statements of financial position, consolidating statements of activities and changes in net assets, consolidating statements of cash flows, and statements of cash flows – direct method (University Retirement Community at Davis, Inc. only), presented as supplementary information, are presented for the purpose of additional analysis and are not a required part of the basic consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Moss Adams LLP

San Francisco, California
January 13, 2016

CONSOLIDATED FINANCIAL STATEMENTS

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,108,045	$ 1,851,693
Investments	32,375,574	31,681,453
Accounts receivable, net	368,514	487,479
Supplies and prepaid expenses	361,686	315,333
Other current assets	360,745	-
Assets restricted under bond indenture agreements	126,439	121,681
Total current assets	36,701,003	34,457,639
PROPERTY AND EQUIPMENT, NET	49,986,211	49,943,654
OTHER ASSETS		
Bond issue and other financing costs, net	409,519	450,012
Gift annuities	4,893	4,954
Total other assets	414,412	454,966
	$ 87,101,626	$ 84,856,259
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 2,138,437	$ 1,611,771
Refundable deposits	194,500	190,400
Current portion of long-term debt	1,148,000	1,099,000
Due to affiliates, net	153,961	104,347
Other current liabilities	73,451	188,916
Total current liabilities	3,708,349	3,194,434
OTHER LIABILITIES		
Long-term debt, net of current portion	30,581,000	31,729,000
Interest rate swap agreement	4,926,741	4,063,643
Deferred revenue from entrance fees	34,983,852	32,465,595
Total liabilities	74,199,942	71,452,672
NET ASSETS		
Unrestricted	12,877,602	13,376,265
Temporarily restricted	24,082	27,322
Total net assets	12,901,684	13,403,587
	$ 87,101,626	$ 84,856,259

See accompanying notes.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended September 30, 2015 and 2014

	2015	2014
CHANGE IN UNRESTRICTED NET ASSETS		
REVENUES		
Service fees	$ 12,471,536	$ 12,582,190
Health center revenue	4,560,658	4,530,287
Entrance fees earned	4,228,711	4,307,069
Investment income	1,235,975	800,719
Contributions	82,167	121,839
Other revenue	759,013	820,710
Total revenues	23,338,060	23,162,814
Net assets released from restrictions	22,764	29,086
Total revenues, gains, and support	23,360,824	23,191,900
EXPENSES		
Program expenses:		
Dietary	3,442,811	3,249,391
Facility services and utilities	3,932,280	3,619,319
Health and social services	4,195,112	4,146,480
Memory care	260,398	259,509
Assisted living	814,629	794,222
General and administrative expenses:		
Administrative and marketing	2,086,123	1,932,304
Interest expense and financing fees	480,377	528,414
Net settlement associated with interest rate swap agreement	1,013,972	1,062,713
Depreciation	2,870,485	2,867,456
Fees to affiliates	1,472,764	1,333,717
Loss on disposal of property and equipment	356,484	154,990
Fund disbursement	29,202	27,736
Total expenses	20,954,637	19,976,251
OPERATING INCOME	2,406,187	3,215,649
NONOPERATING (LOSS) INCOME		
Unrealized change in value of investments	(2,041,752)	639,528
Change in value of interest rate swap agreement	(863,098)	(81,154)
Total nonoperating (loss) income	(2,904,850)	558,374
Change in unrestricted net assets	(498,663)	3,774,023
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	19,585	25,080
Actuarial loss on gift annuities receivable	(61)	(6,847)
Net assets released from restrictions	(22,764)	(29,086)
Change in temporarily restricted net assets	(3,240)	(10,853)
CHANGE IN NET ASSETS	(501,903)	3,763,170
NET ASSETS, beginning of year	13,403,587	9,640,417
NET ASSETS, end of year	$ 12,901,684	$ 13,403,587

See accompanying notes.

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended September 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (501,903)	$ 3,763,170
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,870,485	2,867,456
Amortization included in financing fees	40,493	41,744
Change in value of interest rate swap agreement	863,098	81,154
Entrance fees received from new residents	7,218,301	4,025,000
Entrance fees earned	(4,228,711)	(4,307,069)
Entrance fees refunded	(592,083)	(574,850)
Unrealized change in value of investments	2,041,752	(639,528)
Realized gain and reinvested income on investments	(1,235,975)	(800,719)
Loss on disposal of property and equipment	356,484	154,990
Net changes in:		
Accounts receivable, net	118,965	183,048
Supplies and prepaid expenses	(46,353)	7,047
Other assets	(360,745)	-
Accounts payable and accrued expenses	355,992	(193,995)
Refundable deposits	4,100	30,650
Gift annuities	61	6,848
Other liabilities	5,285	14,879
Due to affiliates, net	49,614	(83,720)
Net cash provided by operating activities	6,958,860	4,576,105
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,098,852)	(2,240,259)
Purchase of investments	(1,499,988)	(2,052,613)
Proceeds from sale of investments	90	69
Change in assets restricted under bond indenture agreements, net of realized gains	(4,758)	(117,795)
Net cash used in investing activities	(4,603,508)	(4,410,598)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond issue costs reimbursed	-	13,004
Repayment of long-term debt	(1,099,000)	(880,000)
Net cash used in financing activities	(1,099,000)	(866,996)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,256,352	(701,489)
CASH AND CASH EQUIVALENTS, beginning of year	1,851,693	2,553,182
CASH AND CASH EQUIVALENTS, end of year	$ 3,108,045	$ 1,851,693
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 420,557	$ 461,140
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment financed with accounts payable and accrued expenses	$ 170,674	$ 95,833

See accompanying notes.

NOTE 1 – ORGANIZATION

University Retirement Community at Davis, Inc. ("URCAD"), was founded as a California nonprofit public benefit corporation to provide residential facilities, health and welfare programs, and various services and sponsor programs for the elderly and operates a continuing care retirement community in Davis, California.

University Retirement Community at Davis Foundation, Inc. (the "Foundation" or "URCADF"), was established by the Board of Directors and residents of URCAD to acquire, hold, and use gifts from donors for the needs of URCAD and other related programs. The Foundation is a tax-exempt, not-for-profit corporation incorporated under the laws of the State of California. Contributions to the Foundation are tax deductible by the donor as provided by the Internal Revenue Code. Restricted funds received by the Foundation are disbursed according to the donor's specified purpose. URCAD is the sole corporate member of the Foundation.

URCAD is an affiliate of Pacific Retirement Services, Inc. ("PRS"). PRS includes the following organizations:

- Rogue Valley Manor ("RVM")
  (including Rogue Valley Manor Foundation, Inc. ["RVM Foundation"]);
- The Cumberland Rest, Inc. d.b.a. Trinity Terrace ("Trinity Terrace")
  (including Trinity Terrace Foundation, Inc. ["Trinity Foundation"]);
- Cascade Manor, Inc. ("Cascade")
  (including Cascade Manor Foundation, Inc.);
- Holladay Park Plaza, Inc. ("HPP")
  (including Holladay Park Plaza Foundation, Inc. ["HPP Foundation"]);
- Mirabella ("Mirabella Seattle")
  (including Mirabella Washington Foundation, d.b.a. Mirabella Seattle Foundation);
- Capitol Lakes, Inc. ("Capitol Lakes")
  (including Capitol Lakes Foundation, Inc., Middleton Glen, Inc. ["Middleton Glen"] and Senior Housing of Middleton, Inc. ["Senior Housing"]);
- Mirabella at South Waterfront ("Mirabella Portland")
  (including Mirabella Portland Foundation, Inc.);
- Affordable Housing Corporations ("AHC");
- Community Volunteer Network;
- 965 Ellendale, LLC (included in PRS);
- Crest Park, Inc. ("Crest Park")
  (including Roxy Ann Peak, LLC);
- Pacific Retirement Services Foundation;
- PRS Management, Inc. ("PRS MI")
  (including PRS Management & Consulting, LLC ["PRS MC LLC"], and The Centennial, Inc. ["Centennial"]).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The accompanying consolidated financial statements include the accounts of URCAD and the Foundation (collectively, the "Corporation"). The consolidated financial statements are prepared on the accrual basis of accounting and all significant intercompany balances and transactions have been eliminated.

Performance indicator – "Change in unrestricted net assets" as reflected in the accompanying consolidated statements of activities and changes in net assets, is the performance indicator. Change in unrestricted net assets includes all changes in unrestricted net assets, including unrealized change in value of trading investments, change in value of interest rate swap agreement, excluding receipt of restricted contributions, change in value of gift annuities, and investment returns restricted by donors or law.

Cash and cash equivalents – Cash and cash equivalents include cash, money market accounts, commercial paper, and other securities with maturities of three months or less at date of acquisition that are not otherwise held by an investment advisor or restricted under bond indenture agreements.

Investments – Investments are stated at fair value based on quoted market prices. Investments acquired by gift are recorded at fair value on the date received. Investments in marketable securities are adjusted to fair value through recognition of unrealized gains and losses in the performance indicator as they are classified as trading securities. Gains or losses are calculated based on specific identification of the investments. Dividend, interest, and other investment income are recorded net of related custodial and advisory fees.

Accounts receivable – The Corporation provides services to residents even though they may lack adequate funds or may participate in programs that do not pay full charges. The Corporation receives payment for health services from residents, insurance companies, Medicare, health maintenance organizations ("HMOs"), and other third-party payors. As a result, the Corporation is exposed to certain credit risks. The Corporation manages its risk by regularly reviewing its accounts, by providing appropriate allowances for uncollectible accounts, and by having secured the accounts through its Residence and Care Agreements with the residents of the community.

Accounts receivable are stated at the amount management expects to collect. If necessary, management provides for possible uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individuals' balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to resident accounts receivable.

Assets restricted under bond indenture agreements – Under the terms of the bond indenture agreements between the California Statewide Communities Development Authority (the "Authority"), the Corporation, and U.S. Bank as Trustee, the Corporation established a Debt Service Fund for the payment of interest and principal on outstanding bonds. Periodic deposits are made to cover the principal and interest payments of the debt. As of September 30, 2015 and 2014, the Corporation had a total of $126,439 and $121,681, respectively, in assets restricted under bond indenture agreements.

Property and equipment – Purchased property and equipment are recorded at cost, or fair value when received, if donated. The cost basis includes any interest, finance charges, major replacements and improvements, and other related costs capitalized during construction. Maintenance, repairs, and minor replacements are charged to expense when incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. When assets are retired or otherwise disposed of, the cost of the asset and its related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income or expense for the period.

The Corporation, using its best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets when indicators of impairment are identified. The review addresses the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No impairment losses were present for the years ended September 30, 2015 and 2014.

Bond issue and other financing costs – Bond issue and other financing costs are amortized over the term of the bonds. For the years ended September 30, 2015 and 2014, amortization expense was $40,493 and $41,744, respectively, and as of September 30, 2015 and 2014, accumulated amortization was $85,859 and $45,366, respectively.

Refundable deposits – The Corporation requires each applicant for residency to pay a $1,000 application fee deposit. This deposit will be refunded if the application is denied. If the application is approved but subsequently withdrawn, a portion is refunded. When a unit becomes available, the applicant is also required to pay an entrance fee deposit, which varies in amount, to reserve the unit prior to occupancy. This entrance fee deposit is refundable prior to occupancy.

Deferred revenue from entrance fees – Fees paid by a resident upon entering into a continuing care contract are recorded as deferred revenue and are amortized to income over the estimated remaining actuarial life expectancy of the resident. Included in such deferred revenue are amounts expected to be refunded to residents, as actuarially determined. As of September 30, 2015 and 2014, $408,283 and $487,630 was estimated to be refunded, respectively. Amounts amortized to income relating to this type of contract were $4,228,711 and $4,307,069 for the years ended September 30, 2015 and 2014, respectively, and are included in entrance fees earned in the consolidated statements of activities and changes in net assets. At September 30, 2015 and 2014, the Corporation had nonrefundable entrance fees of $34,983,852 and $32,465,595, respectively, related to entrance fees received that will be recognized as revenue in future years.

Future services obligation – The Corporation annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (future services obligation) with the corresponding charge to income. The obligation is discounted at 5.5% for 2015 and 2014, based on the expected long-term rate of return on government obligations. At September 30, 2015 and 2014, no additional future services liability was deemed to exist.

Interest rate swap agreement – The Corporation has a derivative instrument which is an interest rate swap agreement (see Note 7), which is recorded on the consolidated statements of financial position at fair value. As this derivative does not qualify as an effective hedge, the changes in fair value of the derivative are recognized in nonoperating (loss) income on the consolidated statements of activities and changes in net assets in accordance with Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging*. In addition, there is a collateral posting requirement if either the Corporation or Merrill Lynch (the "Counterparty") exceeds a certain dollar threshold in terms of the market value. The Corporation reports any collateral posted as an other asset on the consolidated statements of financial position. The collateral posting level is also contingent on the credit rating of the Corporation. If the Corporation were to experience a downgrade in its credit rating, the posting threshold would increase. The collateral posting requirements were $0 at September 30, 2015 and 2014.

Net assets – The Corporation reports three classifications of net assets. A description of each classification of net assets is as follows:

> **Unrestricted net assets –** Unrestricted resources available to support the Corporation's operations and temporarily restricted resources which have become available for use by the Corporation in accordance with the intention of the donor.
>
> **Temporarily restricted net assets –** Contributions that are limited in use by the Corporation in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Corporation according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets. Temporarily restricted net assets are available primarily for assistance and other projects designated by the donors.
>
> **Permanently restricted net assets –** Net assets subject to donor-imposed stipulations that they be maintained by the Corporation in perpetuity. The Board of Directors has interpreted California's enacted Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), as requiring the preservation of the fair value of the original gift as of the gift date of permanently restricted donations absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanently restricted fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Generally, the donors of these assets permit the Corporation to use all or part of the investment return on these assets.

Revenue recognition – Service fees and health center revenues are recognized in the month in which services are provided and collectability is reasonably assured. In addition, health center revenue is presented net of third-party rate adjustments. Other revenue is recognized as the related services are provided and includes guest services income, catering income, and other miscellaneous income.

The Corporation provides health care services primarily to residents of its community. Laws and regulations governing Medicare programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare program.

Charity care – The Corporation provides care without charge or at amounts less than its established rates to residents who meet certain criteria under its charity care policy. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue. Amounts provided as charity care for the years ended September 30, 2015 and 2014, were $107,902 and $61,155, respectively.

Contributions – The Corporation 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. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as temporarily restricted contributions and net assets released from restriction in the accompanying consolidated financial statements.

Tax-exempt status – The Corporation has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related activities. No tax provision has been made in the accompanying consolidated statements of activities and changes in net assets.

The Corporation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Corporation recognizes interest and penalties related to income tax matters in operating expenses. At September 30, 2015 and 2014, there were no such uncertain tax positions.

Concentration of risks – The Corporation's cash, cash equivalents, and investments, consist of various financial instruments. These financial instruments may subject the Corporation to concentrations of risk as, from time to time, cash and investment balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC"), the fair value of debt securities are dependent on the ability of the issuer to honor its contractual commitments, and the fair value of investments are subject to change. Management monitors the financial condition of these institutions on an ongoing basis and does not believe significant credit risk exists at this time.

Concentration of credit risk results from the Corporation granting credit without collateral to its residents and patients, most of whom are local residents and may be insured under third-party payor agreements. The mix of receivables as of September 30, 2015 and 2014, from residents and third-party payors is listed at Note 4.

Workers' compensation insurance – The Corporation is insured for workers' compensation claims under a guaranteed cost policy. Under the policy, premiums are paid based on estimated annual payroll amounts, which are trued up at each year end. All claims are covered under the policy. Should the claims made policy not be renewed, or replaced with equivalent insurance, claims related to occurrences during their terms but reported subsequent to their termination would be covered by the insurance policy. Accounting principles generally accepted in the United States of America require that a healthcare organization disclose the estimated costs of claims in the period of the incident, if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated. The resulting receivable and liability are recorded in other current assets and accounts payable and accrued expenses on the consolidated statements of financial position, respectively.

Professional and general liability insurance – The Corporation, on its behalf, has secured claims-made professional liability and general liability insurance policies with self-insured retentions of $50,000 per claim, with coverage limits of $1,000,000 per claim, and $3,000,000 in aggregate per policy period (January 1, 2015 to January 1, 2016). The Corporation, on its behalf, has also secured an excess professional and general liability insurance policy with limits of $10,000,000 per claim and $15,000,000 aggregate per policy period (January 1, 2015 to January 1, 2016). The same policy limits were in place from January 1, 2014 through January 1, 2015. The Corporation has accrued no liability in its best estimate of the cost of known claims incurred prior to September 30, 2015. In addition, the Corporation has accrued no liability as of September 30, 2015, in its best estimate of the cost of claims incurred but not yet reported.

Use of estimates – The preparation of consolidated 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 consolidated 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 interest rate swap and investments, future service obligation, workers' compensation, depreciation, deferred revenue from entrance fees. Actual results could differ from those estimates.

Fair value of financial instruments – Unless otherwise indicated, the fair value of all reported assets and liabilities that represented financial instruments approximate their carrying values**.** The Corporation'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 10 for fair value hierarchy disclosures.

Advertising – The Corporation expenses advertising costs as incurred**.** The Corporation's advertising expense for the years ended September 30, 2015 and 2014, was $199,660 and $230,068, respectively.

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

New accounting pronouncements –In April 2013, the FASB issued ASU No. 2013-06, *Services Received from Personnel of an Affiliate* ("ASU 2013-06") to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The adoption of ASU 2013-06 is effective for the Corporation beginning October 1, 2014. The adoption of ASU 2013-06 did not have a material impact on the Corporation's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30)* ("ASU 2015-03"). The amendment in this update require that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. For all nonpublic entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. The Corporation is currently evaluating the impact of the ASU 2015-03 on the Corporation's consolidated financial statements.

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* ("ASU 2015-07"), a consensus of the Emerging Issue Task Force. Pursuant to ASU 2015-07, investments for which fair value is measured at net asset value, or its equivalent, using the practical expedient will no longer be categorized in the fair value hierarchy. Removing such investments from the fair value hierarchy thereby ensures that all investments categorized in the fair value hierarchy are classified using a consistent approach. ASU 2015-07 also removes the requirement that make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value practical expedient. Instead, such disclosures are limited to investments for which the entity has elected to estimate the fair value using the practical expedient. ASU 2015-07 is effective in the annual periods beginning after December 15, 2016, with earlier adoption permitted. ASU 2015-07 should be applied retrospectively to all prior periods presented. The Corporation is currently evaluating the impact of the ASU 2015-07 on the Corporation's consolidated financial statements.

NOTE 3 – INVESTMENT INCOME

Income from investments, assets restricted under bond indenture agreement, and cash and cash equivalents for the years ended September 30, consisted of the following:

	2015	2014
Realized gain on investments	$ 197,029	$ 111,268
Net dividends and interest	1,038,946	689,451
	$ 1,235,975	$ 800,719

Investment income is reported net of investment expenses of $89,602 and $81,044 for the years ended September 30, 2015 and 2014, respectively.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable, net at September 30, consisted of the following:

	2015	2014
Medicare	$ 187,194	$ 222,005
Secondary insurance	91,945	143,856
Resident monthly fees	110,642	111,459
Other	1,994	21,824
	391,775	499,144
Less allowance for doubtful accounts	(23,261)	(11,665)
	$ 368,514	$ 487,479

Accounts receivable, gross by payor at September 30 consisted of the following:

	2015	2014
Resident	28%	23%
Medicare	48%	44%
Secondary insurance	23%	29%
Other	1%	4%

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment, net at September 30 consisted of the following:

	2015	2014
Building and building improvements	$ 71,351,113	$ 69,887,624
Furniture and equipment	4,892,310	4,540,707
Land and land improvements	3,258,263	3,180,068
Automobile	404,378	330,449
	79,906,064	77,938,848
Less accumulated depreciation	(30,489,840)	(29,029,442)
	49,416,224	48,909,406
Construction in progress	569,987	1,034,248
	$ 49,986,211	$ 49,943,654

NOTE 6 – LONG-TERM DEBT

Long-term debt at September 30 consisted of the following:

	2015	2014
Series 2013 Bonds	$ 31,729,000	$ 32,828,000
Current portion	(1,148,000)	(1,099,000)
	$ 30,581,000	$ 31,729,000

Series 2013 variable rate demand revenue refunding bonds – On August 29, 2013, the Authority issued $33,708,000 Series 2013 Variable Rate Demand Revenue Bonds (Series 2013). The bonds were issued under and secured by an Indenture between the Authority and the Bond Trustee (U.S. Bank National Association). On August 29, 2013, the Corporation entered into a loan agreement with the Authority and a Continuing Covenant Agreement with Bank of America (the initial holder of the bonds). The Series 2013 bonds, initially bore interest at 67% of the one-month LIBOR plus an applicable spread as defined in the Bond Indenture, are subject to ten-year call provisions beginning August 29, 2023, and matured based on the rate mode in effect on November 1, 2033. The interest rate payable to bond holders at September 30, 2015 and 2014, was approximately 1.3% and 1.27%, respectively.

The Corporation has granted a security interest and lien on certain real property, improvements and tangible personal property in connection with the Bonds described above. The security interest and lien are described in the Master Trust Indenture entered into with U.S. Bank National Association, as master trustee, and the associated deed of trust.

The bond agreements also contained provisions regarding the maintenance of certain covenants. Management believes that the Corporation was in compliance with all provisions as of September 30, 2015.

Aggregate maturities of long-term debt are as follows:

2016	$	1,148,000
2017		1,208,000
2018		1,253,000
2019		1,319,000
2020		1,378,000
Thereafter		25,423,000
	$	31,729,000

NOTE 7 – INTEREST RATE SWAP AGREEMENT

On November 1, 2005, the Corporation entered into a contract for a fixed-pay interest rate swap for a variable rate (the original transaction) with the Counterparty. This interest rate swap has a trade date of September 7, 2005, an effective date of November 1, 2005, and a termination date of November 15, 2030. It was entered into for the benefit of the Corporation to manage interest rate risk on its variable rate bonds; however, it is not being accounted for as an effective hedge.

Under this interest rate swap agreement, which had a $45,085,000 original notional amount, the Corporation agrees with other parties to pay, at specified intervals, the fixed-rate of 3.2%, while receiving the variable-rate interest of 67% of the 3-month LIBOR (67% of LIBOR was approximately .22% and 0.16% at September 30, 2015 and 2014, respectively) according to the outstanding notional principal amount. The outstanding notional principal amount decreases ratably with scheduled annual principal payments. The outstanding notional amount under the interest rate swap agreement was $33,235,000 and $34,610,000 at September 30, 2015 and 2014, respectively. This interest rate swap agreement will help the Corporation manage its interest rate risk on its variable rate debt.

On September 15, 2010, the Corporation amended and restated the terms and conditions of the original transaction in order to release the financial guaranty insurance policy.

NOTE 8 – THIRD-PARTY RATE ADJUSTMENTS AND REVENUE

For the years ended September 30, 2015 and 2014, approximately 37% and 40%, respectively, of health center revenue was derived under federal third-party reimbursement programs. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustments by the respective third-party fiscal intermediary. In the opinion of management, retroactive adjustments, if any, would not be material to the consolidated financial position, changes in net assets, or cash flows of the Corporation.

NOTE 9 – RELATED-PARTY TRANSACTIONS

PRS provides various general, administrative, and marketing services to the Corporation. The total fees included in the consolidated statements of activities and changes in net assets were $1,472,764 and $1,333,717, respectively, for the years ended September 30, 2015 and 2014. At September 30, 2015 and 2014, the amounts due to affiliates were $153,961 and $104,347, respectively.

NOTE 10 – 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 in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net assets value per share (or its equivalent) with the ability to redeem the investment in the near term.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the consolidated statements of financial position at September 30, 2015 and 2014, 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 – 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 and mutual funds, debt securities and fixed income securities. 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. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the fair value hierarchy.

Interest rate swap agreement – The interest rate swap agreement fair value is based upon current settlement values, quoted market prices of comparable instruments, or, if there are no relevant comparables, on pricing models or formulas using current assumptions.

Gift annuities – The gift annuities receivable value is based on life expectancy tables and an assumed rate of return of 4%.

Long-term debt – The fair value of long-term debt is estimated based on the current incremental borrowing rates offered to the Corporation for debt of similar terms and maturities (Level 3). Under this method, the Corporation's fair value of long-term debt approximates its carrying value at September 30, 2015 and 2014.

Assets restricted under bond indenture agreements – Assets restricted under bond indenture agreements consist of cash and cash equivalents, classified within Level 1 of the valuation hierarchy.

The Corporation has an investment committee that meets at least quarterly 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 table presents the fair value hierarchy for those assets measured at fair value on a recurring basis:

	September 30, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Cash and cash equivalents	$ 704,242	$ -	$ -	$ 704,242
Domestic equity				
Large-cap	5,135,815	-	-	5,135,815
Fixed income				
Asset backed securities	2,622,614	-	-	2,622,614
Corporate bonds and notes	3,636,925	-	-	3,636,925
Municipal securities	29,420	-	-	29,420
U.S. government securities	4,137,293	-	-	4,137,293
Mutual funds				
Equities	4,890,920	-	-	4,890,920
Fixed income	4,044,090	-	-	4,044,090
Other	7,300,694	-	-	7,300,694
Gift annuities	-	4,893	-	4,893
Total assets	$ 32,502,013	$ 4,893	$ -	$ 32,506,906
Liabilities:				
Interest rate swap agreement	$ -	$ 4,926,741	$ -	$ 4,926,741

	September 30, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Cash and cash equivalents	$ 919,422	$ -	$ -	$ 919,422
Domestic equity				
Mid-cap	539,494	-	-	539,494
Large-cap	4,266,183	-	-	4,266,183
Fixed income				
Asset backed securities	2,434,480	-	-	2,434,480
Corporate bonds and notes	4,527,510	-	-	4,527,510
Municipal securities	30,568	-	-	30,568
U.S. government securities	3,617,776	-	-	3,617,776
Mutual funds				
Equities	4,524,516	-	-	4,524,516
Fixed income	3,871,121	-	-	3,871,121
Other	7,072,064	-	-	7,072,064
Gift annuities	-	4,954	-	4,954
Total assets	$ 31,803,134	$ 4,954	$ -	$ 31,808,088
Liabilities:				
Interest rate swap agreement	$ -	$ 4,063,643	$ -	$ 4,063,643

Investments at September 30 consisted of the following fair values:

	2015	2014
Cash and cash equivalents including amounts held for investment purposes	$ 704,242	$ 919,422
Equity, fixed income, mutual funds investments	31,797,771	30,883,712
Total	32,502,013	31,803,134
Less asset held by bond indenture agreements	(126,439)	(121,681)
Total investments	$ 32,375,574	$ 31,681,453

NOTE 11 – RETIREMENT PLANS

The Corporation has a defined contribution plan (the "Plan") covering all eligible employees. Employees who have reached the age of 21 and have completed one year of service of at least 1,000 hours are eligible for participation in both the Plan and the 403(b) Plan. The Corporation's contributions to the Plan are equal to 3% of eligible participants' compensation. The Corporation also participates in a company sponsored 403(b) plan (the "403(b) Plan") covering all eligible employees. The Corporation's contributions to the 403(b) Plan are a match of the employee contributions, up to a maximum of 4% of each participant's eligible compensation.

Effective June 30, 2015, the defined contribution plan which the Corporation participated in was merged and transferred into the Pacific Retirement Services 401(k) plan. Additionally, the 403(b) plan was frozen.

Effective July 1, 2015, the Pacific Retirement Services 401(k) plan was restated and all University Retirement Community at Davis, Inc. employees are able to participate in the restated plan. All employees are eligible to defer funds from their compensation into the 401(k) program. As well, safe harbor matching funds are provided by the employer to eligible employees based on the employee contributions up to a maximum of 4% of the employee's eligible annual compensation. Non-elective profit sharing contributions are also provided at the election of the employer and are based on 3% of the qualified employee's annual compensation.

Effective September 1, 2015, the Pacific Retirement Services 403(b) plan was restated. Employees with remaining balances in the frozen 403(b) plans are able to transfer those funds into the restated 403(b) plan.

Total contributions charged to expense for the plans was $284,881 and $305,619 for the years ended September 30, 2015 and 2014, respectively.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Corporation is party to various claims and legal actions in the normal course of business. In the opinion of management, the Corporation 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 the Corporation.

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 healthcare coverage. The expansion is accomplished primarily through incentives to individuals to obtain and employers to provide healthcare 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 healthcare delivery system. Some provisions of the healthcare reform legislation were effective immediately; others will be phased in through 2016. Further legislative policies are required for several provisions that will be effective in future years. The impact of this legislation will likely affect the Corporation. The effect of the changes that will be required in future years are not determinable at this time.

NOTE 13 – SUBSEQUENT EVENTS

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

The Corporation evaluated all events or transactions that occurred after September 30, 2015, up through January 13, 2016, the date the consolidated financial statements are available to be issued.

SUPPLEMENTARY INFORMATION

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2015

	University Retirement Community at Davis, Inc.	University Retirement Community at Davis Foundation, Inc.	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 3,045,027	$ 63,018	$ -	$ 3,108,045
Investments	31,270,566	1,105,008	-	32,375,574
Accounts receivable, net	367,297	1,217	-	368,514
Supplies and prepaid expenses	361,686	-	-	361,686
Other assets	360,745	-	-	360,745
Assets restricted under bond indenture agreements	126,439	-	-	126,439
Total current assets	35,531,760	1,169,243	-	36,701,003
PROPERTY AND EQUIPMENT, NET	49,986,211	-	-	49,986,211
OTHER ASSETS				
Bond issue and other financing costs, net	409,519	-	-	409,519
Beneficial interest in net assets of University Retirement Community at Davis Foundation, Inc.	16,794	-	(16,794)	-
Gift annuities	-	4,893	-	4,893
Total other assets	426,313	4,893	(16,794)	414,412
	$ 85,944,284	$ 1,174,136	$ (16,794)	$ 87,101,626
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 2,137,818	$ 619	$ -	$ 2,138,437
Refundable deposits	194,500	-	-	194,500
Current portion of long-term debt	1,148,000	-	-	1,148,000
Due to affiliates, net	102,106	51,855	-	153,961
Other current liabilities	73,251	200	-	73,451
Total current liabilities	3,655,675	52,674	-	3,708,349
OTHER LIABILITIES				
Long-term debt, net of current portion	30,581,000	-	-	30,581,000
Interest rate swap agreements	4,926,741	-	-	4,926,741
Deferred revenue from entrance fees	34,983,852	-	-	34,983,852
Total liabilities	74,147,268	52,674	-	74,199,942
NET ASSETS				
Unrestricted	11,769,103	1,108,499	-	12,877,602
Temporarily restricted	27,913	12,963	(16,794)	24,082
Total net assets	11,797,016	1,121,462	(16,794)	12,901,684
	$ 85,944,284	$ 1,174,136	$ (16,794)	$ 87,101,626

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2014

	University Retirement Community at Davis, Inc.	University Retirement Community at Davis Foundation, Inc.	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 1,786,384	$ 65,309	$ -	$ 1,851,693
Investments	30,545,065	1,136,388	-	31,681,453
Accounts receivable, net	487,479	-	-	487,479
Supplies and prepaid expenses	315,333	-	-	315,333
Assets restricted under bond indenture agreements	121,681	-	-	121,681
Total current assets	33,255,942	1,201,697	-	34,457,639
PROPERTY AND EQUIPMENT, NET	49,943,654	-	-	49,943,654
OTHER ASSETS				
Bond issue and other financing costs, net	450,012	-	-	450,012
Beneficial interest in net assets of University Retirement Community at Davis Foundation, Inc.	17,028	-	(17,028)	-
Gift annuities	-	4,954	-	4,954
Total other assets	467,040	4,954	(17,028)	454,966
	$ 83,666,636	$ 1,206,651	$ (17,028)	$ 84,856,259
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 1,610,598	$ 1,173	$ -	$ 1,611,771
Current portion of long-term debt	1,099,000	-	-	1,099,000
Refundable deposits	190,400	-	-	190,400
Due to affiliates, net	93,953	10,394	-	104,347
Other current liabilities	188,716	200	-	188,916
Total current liabilities	3,182,667	11,767	-	3,194,434
OTHER LIABILITIES				
Long-term debt, net of current portion	31,729,000	-	-	31,729,000
Interest rate swap agreement	4,063,643	-	-	4,063,643
Deferred revenue from entrance fees	32,465,595	-	-	32,465,595
Total liabilities	71,440,905	11,767	-	71,452,672
NET ASSETS				
Unrestricted	12,194,514	1,181,751	-	13,376,265
Temporarily restricted	31,217	13,133	(17,028)	27,322
Total net assets	12,225,731	1,194,884	(17,028)	13,403,587
	$ 83,666,636	$ 1,206,651	$ (17,028)	$ 84,856,259

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2015

	University Retirement Community at Davis, Inc.	University Retirement Community at Davis Foundation, Inc.	Eliminations	Total
CHANGE IN UNRESTRICTED NET ASSETS				
REVENUES				
Service fees	$ 12,471,536	$ -	$ -	$ 12,471,536
Health center revenue	4,560,658	-	-	4,560,658
Entrance fees earned	4,228,711	-	-	4,228,711
Investment income	1,176,960	59,015	-	1,235,975
Contributions	112,902	77,167	(107,902)	82,167
Other revenue	759,013	-	-	759,013
Total revenues	23,309,780	136,182	(107,902)	23,338,060
Net assets released from restrictions	21,635	1,129	-	22,764
Total revenues, gains, and support	23,331,415	137,311	(107,902)	23,360,824
EXPENSES				
Program expenses:				
Dietary	3,442,811	-	-	3,442,811
Facility services and utilities	3,932,280	-	-	3,932,280
Health and social services	4,195,112	-	-	4,195,112
Memory care	260,398	-	-	260,398
Assisted living	814,629	-	-	814,629
General and administrative expenses:				
Administrative and marketing	2,081,334	4,789	-	2,086,123
Interest expense and financing fees	480,377	-	-	480,377
Net settlement associated with interest rate swap agreement	1,013,972	-	-	1,013,972
Depreciation	2,870,485	-	-	2,870,485
Fees to affiliates	1,472,764	-	-	1,472,764
Loss on disposal of property and equipment	356,484	-	-	356,484
Fund disbursement	21,635	115,469	(107,902)	29,202
Total expenses	20,942,281	120,258	(107,902)	20,954,637
OPERATING INCOME	2,389,134	17,053	-	2,406,187
NONOPERATING LOSS				
Unrealized change in value of investments	(1,951,447)	(90,305)	-	(2,041,752)
Change in value of interest rate swap agreement	(863,098)	-	-	(863,098)
Total nonoperating loss	(2,814,545)	(90,305)	-	(2,904,850)
Change in unrestricted net assets	(425,411)	(73,252)	-	(498,663)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS				
Contributions	18,565	1,020	-	19,585
Actuarial loss on gift annuities receivable	-	(61)	-	(61)
Net assets released from restrictions	(21,635)	(1,129)	-	(22,764)
Change in beneficial interest in net assets of University Retirement at Davis Foundation, Inc.	(234)	-	234	-
Change in temporarily restricted net assets	(3,304)	(170)	234	(3,240)
CHANGE IN NET ASSETS	(428,715)	(73,422)	234	(501,903)
NET ASSETS, beginning of year	12,225,731	1,194,884	(17,028)	13,403,587
NET ASSETS, end of year	$ 11,797,016	$ 1,121,462	$ (16,794)	$ 12,901,684

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2014

	University Retirement Community at Davis, Inc.	University Retirement Community at Davis Foundation, Inc.	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS				
REVENUES				
Service fees	$ 12,582,190	$ -	$ -	$ 12,582,190
Health center revenue	4,530,287	-	-	4,530,287
Entrance fees earned	4,307,069	-	-	4,307,069
Investment income	727,919	72,800	-	800,719
Contributions	89,107	93,887	(61,155)	121,839
Other revenue	820,710	-	-	820,710
Total revenues	23,057,282	166,687	(61,155)	23,162,814
Net assets released from restrictions	21,411	7,675	-	29,086
Total revenues, gains, and support	23,078,693	174,362	(61,155)	23,191,900
EXPENSES				
Program expenses:				
Dietary	3,249,391	-	-	3,249,391
Facility services and utilities	3,619,319	-	-	3,619,319
Health and social services	4,146,480	-	-	4,146,480
Memory care	259,509	-	-	259,509
Assisted living	794,222	-	-	794,222
General and administrative expenses:				
Administrative and marketing	1,926,712	5,592	-	1,932,304
Interest expense and financing fees	528,414	-	-	528,414
Net settlement associated with interest rate swap agreement	1,062,713	-	-	1,062,713
Depreciation	2,867,456	-	-	2,867,456
Fees to affiliates	1,333,717	-	-	1,333,717
Loss on disposal of property and equipment	154,990	-	-	154,990
Fund disbursement	21,411	67,480	(61,155)	27,736
Total expenses	19,964,334	73,072	(61,155)	19,976,251
OPERATING INCOME	3,114,359	101,290	-	3,215,649
NONOPERATING INCOME (LOSS)				
Unrealized change in value of investments	614,067	25,461	-	639,528
Change in value of interest rate swap agreement	(81,154)	-	-	(81,154)
Total nonoperating income	532,913	25,461	-	558,374
Change in unrestricted net assets	3,647,272	126,751	-	3,774,023
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS				
Contributions	20,325	4,755	-	25,080
Actuarial loss on gift annuities receivable	-	(6,847)	-	(6,847)
Net assets released from restrictions	(21,411)	(7,675)	-	(29,086)
Change in beneficial interest in net assets of University Retirement at Davis Foundation, Inc.	(3,697)	-	3,697	-
Change in temporarily restricted net assets	(4,783)	(9,767)	3,697	(10,853)
CHANGE IN NET ASSETS	3,642,489	116,984	3,697	3,763,170
NET ASSETS, beginning of year	8,583,242	1,077,900	(20,725)	9,640,417
NET ASSETS, end of year	$ 12,225,731	$ 1,194,884	$ (17,028)	$ 13,403,587

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2015

	University Retirement Community at Davis, Inc.	University Retirement Community at Davis Foundation, Inc.	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	$ (428,715)	$ (73,422)	$ 234	$ (501,903)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	2,870,485	-	-	2,870,485
Amortization included in financing fees	40,493	-	-	40,493
Change in value of interest rate swap agreement	863,098	-	-	863,098
Entrance fees received from new residents	7,218,301	-	-	7,218,301
Entrance fees earned	(4,228,711)	-	-	(4,228,711)
Entrance fees refunded	(592,083)	-	-	(592,083)
Unrealized change in value of investments	1,951,447	90,305	-	2,041,752
Realized gain and reinvested income on investments	(1,176,960)	(59,015)	-	(1,235,975)
Loss on disposal of property and equipment	356,484	-	-	356,484
Net changes in:				
Accounts receivable, net	120,182	(1,217)	-	118,965
Supplies and prepaid expenses	(46,353)	-	-	(46,353)
Other assets	(360,745)	-	-	(360,745)
Beneficial interest in net assets of University Retirement Community at Davis Foundation, Inc.	234	-	(234)	-
Accounts payable and accrued expenses	356,546	(554)	-	355,992
Refundable deposits	4,100	-	-	4,100
Gift annuities	-	61	-	61
Other current liabilities	5,285	-	-	5,285
Due to affiliates, net	8,153	41,461	-	49,614
Net cash provided by operating activities	6,961,241	(2,381)	-	6,958,860
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(3,098,852)	-	-	(3,098,852)
Purchase of investments	(1,499,988)	-	-	(1,499,988)
Proceeds from sale of investments	-	90	-	90
Change in assets restricted under bond indenture agreements, net of realized gains	(4,758)	-	-	(4,758)
Net cash (used in) provided by investing activities	(4,603,598)	90	-	(4,603,508)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long-term debt	(1,099,000)	-	-	(1,099,000)
Net cash used in financing activities	(1,099,000)	-	-	(1,099,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,258,643	(2,291)	-	1,256,352
CASH AND CASH EQUIVALENTS, beginning of year	1,786,384	65,309	-	1,851,693
CASH AND CASH EQUIVALENTS, end of year	$ 3,045,027	$ 63,018	$ -	$ 3,108,045
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the year for interest	$ 420,557	$ -	$ -	$ 420,557
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES				
Property and equipment financed with accounts payable and accrued expenses	$ 170,674	$ -	$ -	$ 170,674

	University Retirement Community at Davis, Inc.	University Retirement Community at Davis Foundation, Inc.	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	$ 3,642,489	$ 116,984	$ 3,697	$ 3,763,170
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	2,867,456	-	-	2,867,456
Amortization included in financing fees	41,744	-	-	41,744
Change in value of interest rate swap agreement	81,154	-	-	81,154
Entrance fees received from new residents	4,025,000	-	-	4,025,000
Entrance fees earned	(4,307,069)	-	-	(4,307,069)
Entrance fees refunded	(574,850)	-	-	(574,850)
Unrealized change in value of investments	(614,067)	(25,461)	-	(639,528)
Realized gain and reinvested income on investments	(727,919)	(72,800)	-	(800,719)
Loss on disposal of property and equipment	154,990	-	-	154,990
Net changes in:				
Accounts receivable, net	183,048	-	-	183,048
Supplies and prepaid expenses	7,047	-	-	7,047
Beneficial interest in net assets of University Retirement Community at Davis Foundation, Inc.	3,697	-	(3,697)	-
Accounts payable and accrued expenses	(193,954)	(41)	-	(193,995)
Refundable deposits	30,650	-	-	30,650
Gift annuities	-	6,848	-	6,848
Other liabilities	14,879			14,879
Due to affiliates, net	(80,272)	(3,448)	-	(83,720)
Net cash provided by operating activities	4,554,023	22,082	-	4,576,105
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(2,240,259)	-	-	(2,240,259)
Purchase of investments	(2,052,613)	-	-	(2,052,613)
Proceeds from sale of investments	-	69	-	69
Change in assets restricted under bond indenture agreements, net of realized gains	(117,795)	-	-	(117,795)
Net cash (used in) provided by investing activities	(4,410,667)	69	-	(4,410,598)
CASH FLOWS FROM FINANCING ACTIVITIES				
Bond issue cost reimbursed	13,004	-	-	13,004
Repayment of long-term debt	(880,000)	-	-	(880,000)
Net cash used in financing activities	(866,996)	-	-	(866,996)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(723,640)	22,151	-	(701,489)
CASH AND CASH EQUIVALENTS, beginning of year	2,510,024	43,158	-	2,553,182
CASH AND CASH EQUIVALENTS, end of year	$ 1,786,384	$ 65,309	$ -	$ 1,851,693
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the year for interest	$ 461,140	$ -	$ -	$ 461,140
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES				
Property and equipment financed with accounts payable and accrued expenses	$ 95,833	$ -	$ -	$ 95,833

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC. AND AFFILIATE
STATEMENTS OF CASH FLOWS – DIRECT METHOD (URCAD ONLY)
For the Years Ended September 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from service fees	$ 12,490,208	$ 12,626,107
Receipts from health center	4,645,805	4,664,597
Net receipts from entrance fees	6,626,217	3,500,550
Interest paid	(1,458,279)	(1,518,549)
Receipts from other operating activities	911,526	888,966
Cash expended for operating activities	(16,254,236)	(15,607,648)
Net cash provided by operating activities	6,961,241	4,554,023
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,098,852)	(2,240,259)
Purchase of investments	(1,499,988)	(2,052,613)
Change in assets restricted under bond indenture agreements, net of realized gains	(4,758)	(117,795)
Net cash used in investing activities	(4,603,598)	(4,410,667)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond issue costs reimbursed	-	13,004
Repayment of long-term debt	(1,099,000)	(880,000)
Net cash used in financing activities	(1,099,000)	(866,996)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,258,643	(723,640)
CASH AND CASH EQUIVALENTS, beginning of year	1,786,384	2,510,024
CASH AND CASH EQUIVALENTS, end of year	$ 3,045,027	$ 1,786,384
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$ (428,715)	$ 3,642,489
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,870,485	2,867,456
Amortization included in financing fees	40,493	41,744
Change in value of interest rate swap agreement	863,098	81,154
Entrance fees received from new residents	7,218,301	4,025,000
Entrance fees earned	(4,228,711)	(4,307,069)
Entrance fees refunded	(592,083)	(574,850)
Unrealized change in value of investments	1,951,447	(614,067)
Realized gain and reinvested income on investments	(1,176,960)	(727,919)
Loss on disposal of property and equipment	356,484	154,990
Net changes in:		
Accounts receivable, net	120,182	183,048
Supplies and prepaid expenses	(46,353)	7,047
Other assets	(360,745)	-
Beneficial interest in net assets of University Retirement Community at Davis Foundation, Inc.	234	3,697
Accounts payable and accrued expenses	356,546	(193,954)
Refundable deposits	4,100	30,650
Other liabilities	5,285	14,879
Due to affiliates, net	8,153	(80,272)
Net cash provided by operating activities	$ 6,961,241	$ 4,554,023

Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules

University Retirement Community at Davis, Inc.

As of and for the year ended September 30, 2015

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

CONTENTS

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
University Retirement Community at Davis, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of University Retirement Community at Davis, Inc. ("URCAD"), which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended September 30, 2015.

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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of University Retirement Community at Davis, Inc. as of and for the year ended September 30, 2015, 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 URCAD 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 Part of Form 5-5, Description of Reserves and Additional Disclosures (Section 1790), Schedule of Interest, Credit Enhancements (letter of credit fees and other fees), Reconciliation to Audit Report, Part of Form 5-4, Non-CCRC Revenue Reconciliation, presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic 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 URCAD and for filing with the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

San Francisco, California
January 28, 2016

CONTINUING CARE LIQUID 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	08/29/13	$1,099,000	$1,434,529	$0	$2,533,529
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:	$1,099,000	$1,434,529	$0	$2,533,529

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

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

PROVIDER: University Retirement Community at Davis, Inc.

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

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

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

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

PROVIDER: University Retirement Community at Davis, Inc.

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$2,533,529
2	Total from Form 5-2 bottom of Column (e)	$0
3	Facility leasehold or rental payment paid by provider during fiscal year	$0
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$2,533,529

PROVIDER: University Retirement Community at Davis, Inc.

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$20,942,281
2		Deductions:		
	a.	Interest paid on long-term debt	$1,434,529	
	b.	Credit enhancement premiums paid for long-term debt	$0	
	c.	Depreciation	$2,870,485	
	d.	Amortization	$40,493	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$3,443,519	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$7,789,026
4		Net Operating Expenses		$13,153,255
5		Divide Line 4 by 365 and enter the result.		$36,036
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$2,702,700

PROVIDER: University Retirement Community at Davis, Inc.; Pacific Retirement Services, Inc.
COMMUNITY: University Retirement Community at Davis, Inc.

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
FORM 5-5
ANNUAL RESERVE CERTIFICATION

FORM 5-5

Provider Name: University Retirement Community at Davis, Inc.
Fiscal Year Ended: 30-Sep-15

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 9/30/2015 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	$2,533,529
[2]	Operating Expense Reserve Amount	$2,702,700
[3]	**Total Liquid Reserve Amount:**	$5,236,229

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

	Qualifying Asset Description	Amount Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents	$0		$3,612,967
[5]	Investment Securities	$0		$0
[6]	Equity Securities	$0		$4,796,592
[7]	Unused/Available Lines of Credit	$0		$0
[8]	Unused/Available Letters of Credit	$0		$0
[9]	Debt Service Reserve	$126,439		(not applicable)
[10]	Other:			
	Fixed income securities	$2,407,090		$8,019,162
	Large/mid/small cap growth/value	$0		$15,479,783
	Deposit account (describe qualifying asset)	$0		$0
	Total Amount of Qualifying Assets	$2,533,529	[12]	$31,908,504
	Reserve Obligation Amount: [13]	$2,533,529	[14]	$2,702,700
	Surplus/(Deficiency): [15]	$0	[16]	$29,205,804

Signature:

Sheri Loya

(Authorized Representative)

Date: 1/28/16

Corporate Controller
(Title)

NOTE 1 – BASIS OF ACCOUNTING

The accompanying reserve reports 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 University of Retirement Community at Davis, Inc.'s assets, liabilities, revenues, and expenses.

SUPPLEMENTARY SCHEDULES

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
PART OF FORM 5-5
DESCRIPTION OF RESERVES AND ADDITIONAL DISCLOSURES (SECTION 1790)
September 30, 2015

	URCAD		URCADF	Total	
Commercial paper sweep	$ 3,043,728	[B]	$ 63,018	$ 3,106,746	
Cash	1,299	[B]	-	1,299	
Fidelity governmental fund	126,439		-	126,439	
	$ 3,171,466		$ 63,018	$ 3,234,484	[5]

	URCAD		URCADF	Total	
Cash and cash equivalent	$ 567,940	[B]	$ 9,863	$ 577,803	[4]
Fixed income	10,426,252		-	10,426,252	[2], [A]
Mutual funds	15,479,783		755,921	16,235,704	[1]
Equity	4,796,592		339,223	5,135,815	[3]
	$ 31,270,567		$ 1,105,007	$ 32,375,574	

[1]	Per audited financials:	
	Mutual funds - equities	$ 4,890,920
	Mutual funds - fixed income	4,044,090
	Mutual funds - other	7,300,694
		$ 16,235,704
[2]	Per audited financials:	
	Fixed income - asset backed securities	$ 2,622,614
	Fixed income - corporate bonds and notes	3,636,925
	Fixed income - municipal securities	29,420
	Fixed income - U.S. government securities	4,137,293
		$ 10,426,252
[3]	Per audited financials:	
	Domestic equity - large cap	$ 5,135,815
		$ 5,135,815
[4]	Per audited financials:	
	Cash and cash equivalents, including amounts held for investment purposes	$ 704,242
	Less cash held by bond indenture	(126,439)
		$ 577,803
[5]	Per audited financials:	
	Cash and cash equivalents	$ 3,108,045
	Cash held by bond indenture	126,439
		$ 3,234,484
[A]	Fixed income securities per Form 5-5:	
	Debt service reserve	$ 2,407,090
	Operating reserve	8,019,162
		$ 10,426,252
[B]	Cash and cash equivalents per Form 5-5:	
	Commercial paper sweep	$ 3,043,728
	Cash	1,299
	Cash and cash equivalents	567,940
		$ 3,612,967

Per the September 2015 audit, the URCAD Reserves listed above are liquid and available for use as needed. There are no restrictions on the funds listed above. However, if necessary, excess funds from the above investments will be used to cover any deficiency that may exist in the debt service reserve calculation on Form 5-5.

Per the 2015 audited financial statements the following funds are restricted under the bond indenture agreement:

Fidelity Governmental Fund	$	126,439	Debt Service Fund - Series 2013
Asset held by bond indenture per audited financials	$	126,439	

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
SCHEDULE OF INTEREST, CREDIT ENHANCEMENTS (LETTER OF CREDIT FEES AND OTHER FEES), RECONCILIATION TO AUDIT REPORT
Year Ended September 30, 2015

Interest - Series 2013	$ 420,557	
Total interest paid	420,557	
Other Fees (authority/remarketing/trustee fees)	19,327	
Issue Cost Amortization	40,493	Form 5-4, (2d)
Total other fees	59,820	
Total interest expense and financing fees per audited financials	$ 480,377	
Net settlement on interest rate swap per audited financials	$ 1,013,972	
PLUS: Total interest paid (see above)	420,557	
Total interest paid on long-term debt	$ 1,434,529	Form 5-4, (2a)
		Form 5-1, column (c)
Reconciliation to interest paid per cash flow		
Total interest paid on long-term debt	$ 1,434,529	
PLUS: Other fees	19,327	
LESS: Change in accrued interest payable	(4,423)	
Interest paid per audited financials	$ 1,458,279	cash flow from operating activities

URC - Non-CCRC Revenue
October 2014 - September 2015

LOC Type	Daily Rate	# of Days	Estimated Annual Revenue
ALD1	$230.82	1,698	$ 391,932
ALD2	$60.82	365	22,199
Total Assisted Living			$ 414,132
Total Special Care			$ 50,377 *
HC Public			$ 1,234,437 *
SND	$ 731.34	2,080	1,521,187
Total Health Services			$ 2,755,624
<u>*Other non-operating revenue:*</u>			
Catering			$ 39,825
Employee Meals			29,184
Guest Rooms			84,817
Guest Meals			28,934
Lease Revenue - space rental for outside parties			40,626
			$ 223,386 *
* *YTD actual revenue*			
		Total Non-CCRC Revenue	$ 3,443,519
Reconciliation to audited financial statements			
Total CCRC Service fees revenue			$ 12,025,699
Total CCRC Health center revenue			1,890,181
Total CCRC Other revenue			688,140
			$ 14,604,020
Per audited financial statements:			
Receipts from service fees			$ 12,490,208
Receipts from health center			4,645,805
Receipts from other operating activities			911,526
		Total CCRC/Non-CCRC Revenue	$ 18,047,539
Less CCRC Revenue			(14,604,020)
		Total Non-CCRC Revenue	$ 3,443,519

CONTINUING CARE RETIREMENT COMMUNITY
DISCLOSURE STATEMENT
GENERAL INFORMATION

FACILITY NAME: University Retirement Community at Davis (URCAD)
ADDRESS: 1515 Shasta Drive, Davis CA | ZIP CODE: 95616 | PHONE: (541) 857-7644
FACILITY OWNER: Pacific Retirement Services Inc | FACILITY OPERATOR: Matt Neal
RELATED FACILITIES: See Attached | RELIGIOUS AFFILIATION:
YEAR OPENED: 2000 | NO. OF ACRES: 11.15 | MULTI-STORY: | SINGLE STORY: | BOTH: X
MILES TO SHOPPING CTR: Under 1 | MILES TO HOSPITAL: Under 1

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS -STUDIO	0	ASSISTED LIVING	36
APARTMENTS -1 BDRM	48	SKILLED NURSING	37
APARTMENTS - 2 BDRM	124	SPECIAL CARE	14
APARTMENTS - 3 BDRM	4	DESCRIBE SPECIAL CARE:	
COTTAGES/HOUSES	29		
% OCCUPANCY AT YEAR END	94.50%		

TYPE OF OWNERSHIP: ☑ NOT FOR PROFIT ☐ FOR PROFIT ☑ ACCREDITED: ☑Y ☐N BY: CARF-CCAC

FORM OF CONTRACT: ☑ CONTINUING CARE ☐ LIFE CARE ☑ ENTRANCE FEE ☐ FEE FOR SERVICE
☐ ASSIGN ASSETS ☐ EQUITY ☑ MEMBERSHIP ☐ RENTAL

REFUND PROVISIONS (CHECK ALL THAT APPLY): ☐90% ☐75% ☐50% ☐PRORATED TO 0% ☑OTHER: Prorated up to 3 yrs

RANGE OF ENTRANCE FEES: $ 104,000 TO $ 492,000 LONG -TERM CARE INSURANCE REQUIRED? ☐Y ☑N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT:

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

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☑	☑
BILLIARD ROOM	☑	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☑	☐
CHAPEL	☑	☐
COFFEE SHOP	☑	☑
CRAFT ROOMS	☑	☐
EXERCISE ROOM	☑	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☑	☐
PUTTING GREEN	☐	☐
SHUFFLEBOARD	☐	☐
SPA	☑	☐
SWIMMING POOL-INDOOR	☑	☐
SWIMMING POOL-OUTDOOR	☑	☐
TENNIS COURT	☐	☐
WORKSHOP	☑	☐
OTHER Computer Lab	☑	☐
On-site Banking	☑	☑
On-site Physical Therapist	☑	☑

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	2	
NUMBER OF MEALS/DAY	(Depends on level	of care)
SPECIAL DIETS AVAILABLE		
24-HOUR EMERGENCY RESPONSE	☑	☐
ACTIVITIES PROGRAM	☑	☐
ALL UTILITIES EXCEPT PHONE	☐	☑
APARTMENT MAINTENANCE	☑	☐
CABLE TV	☑	☐
LINENS FURNISHED	☐	☑
LINENS LAUNDERED	☐	☑
MEDICATION MANAGEMENT	☐	☑
NURSING/WELLNESS CLINIC	☐	☑
PERSONAL NURSING/HOME CARE	☐	☑
TRANSPORTATION-PERSONAL	☐	☑
TRANSPORTATION-PREARRANGED	☐	☑
OTHER	☐	☐

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

PROVIDER NAME: Pacific Retirement Services

CCRCs	LOCATION (City, State)	PHONE (with area code)
The Cumberland Rest, Inc.	Fort Worth, TX	(800) 841-0561
Holladay Park Plaza, Inc.	Portland, OR	(503) 288-6671
Cascade Manor, Inc.	Eugene, OR	(800) 248-2398
Rogue Valley Manor, Inc.	Medford, OR	(800) 848-7868
University Retirement Community at Davis	Davis, CA	(530) 747-7000
Capitol Lakes, Inc.	Madison, WI	(608) 283-2000
Mirabella Seattle, Inc.	Seattle, WA	(206) 254-1441
Mirabella Portland, Inc.	Portland, OR	(503) 245-4742

MULTI-LEVEL RETIREMENT COMMUNITIES

Middleton Glen Inc (IL only)	Middleton, WI	(608) 836-7998
Senior Housing of Middleton Inc (IL only)	Middleton, WI	(608) 836-7998

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

See Attached List of HUD Operations

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

SINGLE-SITE FACILITY
FINANCIAL DISCLOSURE STATEMENT
FACILITY NAME: University Retirement Community

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(excluding amortization of entrance fee income)	16,200,491	17,394,135	18,682,517	18,989,802
LESS OPERATING EXPENSES				
(excluding depreciation, amortization, & interest)	14,009,533	14,804,579	15,505,751	16,577,447
NET INCOME FROM OPERATIONS	2,190,958	2,589,556	3,176,766	2,412,355
LESS INTEREST EXPENSE	1,898,747	1,852,600	1,591,127	1,494,349
PLUS CONTRIBUTIONS	-	59,731	89,107	112,902
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	(212,307)	896,131	532,913	(2,814,545)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	79,904	1,692,818	2,207,659	(1,783,637)
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	5,531,110	10,607,600	3,450,150	6,626,218

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	DATE OF ORIGINATION	DATE OF MATURITY	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2013 Variable Rate Bonds (B of A)	32,828,000	8/29/2013	11/01/2033	20 Years	20 Years

FINANCIAL RATIOS (see next page for ratio formulas)

	2012	2013	2014	2015
DEBT TO ASSET RATIO	0.45	0.40	0.37	0.36
OPERATING RATIO	0.98	0.96	0.92	0.95
DEBT SERVICE COVERAGE RATIO	2.85	4.21	3.48	4.16
DAYS CASH-ON-HAND RATIO	651.84	648.65	692.36	695.63

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2011	%	2013	%	2014	%	2015	%
STUDIO	$ -		$ -		$ -		$ -	
ONE BEDROOM	$ 2,925.00	4.75%	$ 3,028.00	3.00%	$ 3,220.00	3.50%	$ 3,317.00	3.00%
TWO & THREE BEDROOM	$ 3,970.00	4.75%	$ 4,109.00	3.00%	$ 4,370.00	3.50%	$ 4,501.00	3.00%
COTTAGE/GARDEN APT	$ 4,299.00	4.75%	$ 4,449.00	3.00%	$ 4,732.00	3.50%	$ 4,874.00	3.00%
ASSISTED LIVING	$ 4,746.00	6.00%	$ 4,997.00	3.00%	$ 5,571.00	4.50%	$ 5,246.00	3.00%
SKILLED NURSING	$ 5,810.00	7.00%	$ 6,083.00	4.00%	$ 8,973.00	4.50%	$ 9,520.00	3.00%
SPECIAL CARE	$ 5,521.00	6.00%	$ 5,764.00	4.00%	$ 7,209.00	4.50%	$ 6,359.00	3.00%

COMMENTS FROM PROVIDER:

Provider Name: University Retirement Community at Davis

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

Long-Term Debt, less Current Portion
___
Total Assets

OPERATING RATIO

Total Operating Expenses
--Depreciation Expense
--Amortization Expense
___
Total Operating Revenues
--Amortization of Deferred Revenue

DEBT SERVICE COVERAGE RATIO

Total Excess of Revenues over Expenses
+Interest, Depreciation,
and Amortization Expenses
--Amortization of Deferred Revenue
+ Net Proceeds from Entrance Fees
___
Annual Debt Service

DAYS CASH ON HAND RATIO

Unrestricted Current Cash
And Investments
+ Unrestricted Non-Current Cash
And Investments
___
(Operating Expenses - Depreciation
-Amortization)/365

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

FORM 7 -1

REPORT ON CCRC MONTHLY SERVICE FEES

		INDEPENDENT LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period:	$3152 - $4705	$4336 - $	$9216 - $
[2]	Indicate percentage of increase in fees imposed during reporting period:	3.00%	3.00%	3.00%

[ ] Check here if monthly service fees at this community were not increased during the reporting period.

[3] Indicate the date the fee increase was implemented: October 1, 2014

[4] Check each of the appropriate boxes:

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

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

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

[X] 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.

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

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

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

PROVIDER NAME: URCAD - Pacific Retirement Services
COMMUNITY NAME: University Retirement Community

Each year as part of our budget process we incorporate suggestions from residents on ways in which we can improve the services we provide. We also work closely with our department heads to include those suggestions where possible and to refine our program of services while keeping the costs as low as possible.

As you can imagine, with so many different individuals: residents, employees and board members, our budget takes several months each year to prepare before it is finalized. The URCAD Board and Pacific Retirement Services have reviewed and approved the budget for this next fiscal year.

Our goal each year is to produce a budget, which keeps monthly rate increases reasonable while continuing to maintain and improve the services we provide. The budget must cover inflationary increases (including the necessary adjustments to salaries and benefits to retain and attract quality employees) and meet regulatory requirements, bond covenants, and our actuarial reserve requirements.

We raised public health rates, public memory care and assisted living fees by 5.00% and Independent living rates by 3.00%. This is necessary to accommodate the rising costs of providing health care. Our goal has been to build and staff University Retirement Community to provide a great place for you to live a happy and healthy life. We will be monitoring our services and implementing changes as necessary.

We realize the importance of keeping fee increases to the most reasonable level possible and have made every effort to do so.